THE EMPIRE CLUB OF CANADA

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Addresses
2015-2016

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THE
EMPIRE
CLUB
OF CANADA

2015-2016
112th Yearbook

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
2015–2016

GOD SAVE THE QUEEN

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The Empire Club of Canada
Royal York Hotel
100 Front Street West
Toronto, Ontario M5J 1E3
(416) 364-2878
ISBN 0-9734345-0-3
The opinions and views expressed in the
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The Empire Club of Canada
Published by
The Empire Club Foundation
Photography by Leni Johnston
Typeset by Fine Impressions, Toronto, Ontario

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THE EMPIRE CLUB OF CANADA

Gordon McIvor
President, 2015-2016

THE EMPIRE CLUB OF CANADA PRESIDENT'S FOREWORD

I was a young man when my father first spoke at the Empire Club of Canada, but I have a very clear memory that this was really a very big deal for him. To this day, he views it as one of the highlights of his entire career.

At the time, I never dreamed that I would one day lead this Club, arguably the most famous and historically-relevant speakers' podium to have ever existed in Canada. But when I attended my first Club event, which featured the iconic Audrey Hepburn, I knew that this was something that I wanted to be a part of. As with so many events at the Club, there was an energy in the room that was so electric that you could literally feel it, a transformative moment for many people who were transfixed by being put into the presence of someone who had actually had an impact on their lives. I have felt that same feeling on countless occasions since then, and it speaks to the very real power of being a part of a live event. Social media has forever changed our world, but it is no match for the reality of being a few meters away from a historical figure, being in conversation with someone who has helped change the world.

We live in an era where many would say that speakers' platforms are less important than in the past and that people get their information in a plethora of new ways that diminishes the importance of real human contact. If the simple gathering of information is all that is being measured, this is no doubt true. If, however, we attempt to measure the meaningfulness of information and the impact that it has on our emotions, our self -perception and how we relate to others, there has never been anything more effective than going to the source. When you meet a world political leader, the CEO of a major bank or an activist who is helping to reshape public opinion and our collective consciousness and are able to actually ask that person a question that no-one has asked before, the true value of the speakers' podium becomes clearer. Information is not just quantitative but very much qualitative as well, and the place that it occupies in our memories is very largely determined by the way in which it was gathered and the meaning that it has to our personal experiences and lives.

I welcomed many extraordinary leaders during my year in office, but for me the highlight of my year was to see the Board of Directors and the staff of the Club truly coalesce into one united team, highly conscious of the legacy that they were safeguarding through their work. I also fell in love with the history of the Club while in the President's Chair and came to have a much better appreciation of the role that the Empire Club has played in the history of Canada. Reading back through some of the old archived speeches is like taking a history course, but one that is brought alive by the speech format which is always a gateway into the personality and soul of the speaker. In short, the Empire Club invites people who make history, and reading or (better still) hearing their words lifts that history off the page and brings it right into our hearts. I can't imagine a more noble pursuit than ensuring that this legacy is never lost.

The speeches contained in this collection may well be read by generations who come long after us, who want to better understand how we thought and why we believed the things we believed in 2015-2016. For me, I feel great satisfaction and a kind of peace to have been able to have been a part of this great continuum, and to have perhaps helped my fellow Canadians to be able to better harness some of those significant conversations that ultimately shape each and every one of our lives.

Gordon K. McIvor, Ph.D.
President, 2015–2016

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The Empire Club Presents

THE HONOURABLE DAVID R. PETERSON CHAIRMAN, TORONTO 2015 PAN AM/ PARAPAN AM GAMES:

BUILDING ON THE SUCCESS OF THE PAN AM GAMES

September 15, 2015

Welcome Address by Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen from the Arcadian Court in downtown Toronto, welcome to the season opener of the 112th season of the Empire Club of Canada—112 years of history, of bringing the most important public figures and issues to the Canadian public from Gandhi to Churchill, from Ronald Regan to screen icon Audrey Hepburn. There has been so many names, almost everybody ends up stopping at the Empire Club of Canada, eventually. And we are very proud of the fact that we have continued to bring these issues to the Canadian public from the dawn of the 20th century until today. For those of you who are joining us through either our webcast or our podcast or on television through Rogers Cable, welcome to this meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table guests. I would ask that each guest rise for a brief moment and then be seated as your name is called, and I would ask that the audience, please, refrain from applauding until all of the head table guests have been introduced.

HEAD TABLE:
Distinguished Guest Speaker:
Honourable David R. Peterson

Guests:
Mr. Marcel Aubut, President, Canadian Olympic Committee
Norm Kelly, Councillor, City of Toronto, Ward 40, Scarborough-Agincourt
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Ms. Karen Peters, Empire Club Accounting
Mr. Saad Rafi, CEO, Toronto 2015 Pan Am/Parapan Am Games
Mr. Geoff Wilson, CEO, Ports Toronto

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and your host today. Ladies and gentlemen, your head table.

I would also like to acknowledge the presence in our live audience today of some past presidents of the Empire Club of Canada: Noble Chummar. Noble, nice to have you with us. Peter Hermant. Peter Hermant, could you stand and be recognized. Welcome, Peter, nice to have you. Nona Macdonald. Nona, wonderful to have you with us today. As we have already introduced at our head table, John Campion. John, nice to have you with us.

We are also honoured to have with us today, the President of the Toronto Blue Jays, Paul Beeston. The former Minister of International Trade, the Honourable Jim Peterson. The former President of the University of Toronto, David Naylor. David.

Introduction

We start our season off this year with a topic that was, is and will be of extreme interest to all Torontonians and Canadians and that is how Toronto presents itself to the world. As most recently witnessed through the 17th Pan Am Games, which, of course, were held two short months ago in our great city. Our guest today was the Chair of this extraordinarily successful event in the city's history and is here with us today to address that topic and to maybe give us a hint on what that could mean for the city going forward.

He witnessed throughout his leadership role with the Games, a population that literally evolved from an attitude of indifference and somewhat jaded annoyance at traffic issues, to a united, patriotic and wildly enthusiastic populace that could not get enough of these athletic competitions. Now, if the mere success of our Canadian athletes was the change agent, we as a city, of course, would be hard-pressed to explain the perennial success of our beloved local hockey team. There is something more than just success that happens in selling the Pan Am Games. Perhaps it is a coming of age of one of the world's truly great cities, a pride in telling our stories to the world. That is what we are looking forward to hearing about today from our guest speaker. Well, any Torontonian could tell you, of course, that Mr. Peterson was the Premier of our province in the last half of the 1980's. Few realize the enormous contributions that he has made to industry, the arts, healthcare and ensuring the matters of public importance are debated and better understood by the citizens of Ontario. His biography reads like what the French would call a roman-fleuve, and to list them all would, in fact, take us to the end of this lunch. We will highlight, however, that he is the Chairman of the Toronto law firm, Cassels Brock & Blackwell LLP, where he practices corporate and commercial law as well as being Chancellor Emeritus of the University of Toronto, a director of St. Michael's Hospital Foundation, Rogers Communications Inc., Franco-Nevada Corporation and Ivanhoé Cambridge.

We would also be remiss to not remind you that he was the founding Chairman of the Toronto Raptors Basketball Club Inc. and Chapters Inc. In fact, Mr. Peterson has been a Director of over 30 public and private companies in Canada. If that were not enough, he is a senior fellow of Massey College, a fellow of McLaughlin College and Executive-in-Residence at the Rotman School of Management. Mr. Peterson was called to the Bar in Ontario in 1969 after completing studies at the University of Western Ontario, the University of Toronto and the Université de Caen in France. He was appointed to Queen's Counsel in 1980 and was appointed by Her Majesty to the Privy Council in 1992. There ensued many, many other honours, including several honourary doctorates and special awards and honours from the Government of France.

If that all sounds exhausting to you, let me assure you that I have only touched on a few of his many, many achievements. We are delighted that he has agreed to open our 2015 season and to talk to us about the significance of this past summer for the city and what that may mean for the future. Ladies and gentlemen, would you please join me in welcoming the opening speaker of our 112th consecutive year at he Empire Club of Canada, the Honourable David R. Peterson.

The Honourable David R. Peterson

With an introduction like that, I am bound to disappoint. Listen to this, you try this and put yourself in this place: Gandhi, Churchill and Peterson. I am getting off this stage right now, Gordon, before I embarrass myself. Let me just say thanks to the Empire Club for inviting me today, and thank you all for being here. There are so many people I look around this room who helped make this summer such a great success. And this is the first chance, roughly, a month after the close of the Games, to give, shall we say, a public accounting, to stand up and say where we were as we look back and also as we look forward.

Let me just say that the Pan Am Games were the largest event ever staged in Toronto and the GTA area. There was probably no event in the history of Toronto that has attracted more attention, little bit negative and some positive. But it was wonderful to witness the transformation and attitude towards the Games, and, very quickly, one could see in this city, apprehension turn into awe and cynicism turn into optimism. Maybe that was the chief legacy.

Let me take you back to 2008, 2009. If you mentioned the Pan Am Games, it was a big yawn. Only 15% of the people had ever even heard of the Pan Am Games, an unaided awareness. And if you asked people if they wanted it, and they would say, "What are they and why would we and who cares?" there was no clamouring for the Pam Am Games. The political leadership of the day at the provincial level, who was Dalton McGuinty, came to the conclusion that the Pan Am Games could serve not just Toronto, but the GTA area, the Golden Horseshoe. He came to this conclusion for a number of reasons. One of his big reasons: He had gone to the Olympics, and he realized there was a disproportionally small number of Ontario athletes at the Olympics and on the Olympic teams. When he studied this deeper, he found out that this was about a lack of facilities, coaching and programs to work with our young people in this highly-competitive world of high-competition sports. And he felt, with the help of others in this room, that he could draw attention to that. He asked me to chair a bid in 2009, and, with other people in this room, we spent a year.

I swear, if Shelley was here, that I was every weekend in planes going to South America trying to persuade these 42 countries to vote for us, so we could have the Games here because it was highly, highly competitive with two other cities. I remind you, that bid cost $10 million to win it.

The vision articulated by the government of the day was threefold: Number one was to boost the economy and create jobs, and I will come back to all this. Number two and, perhaps, more importantly, was to have a physical legacy of facilities, of infrastructure, that our young people could use and that our communities could use because this is beyond just high-performance athletes. Three, there was a more, should we say, ethereal ambition to motivate our young people, to enhance our performance in international competition and harness the power of sport to build on the very best in our communities. I have seen many forces in my life and in public life, but I do not think anything is as powerful as the power of sport to elevate our young people. There is not a mom and a dad in this room that does not go to an arena, that does not encourage their kids to run, to jump, to swim. It brings families together, and it brings out the best in our young people.

I used to say that the measure of success for the Pan Ams would be if every single 11-year-old went to their mom and said, “Take me to the Pan Ams.” I am not saying we have got them all, but we have got most of them, and they were transformed by this experience. But that was the vision by the government of the day.

Let me just recognize also that not everybody shared that vision. There were many, many, many vociferous critics, and they saw nothing but debt and cost overruns and excessive spending. They saw traffic jams and chaos. Some saw an event that would not be worthwhile, and others saw that it was not the Olympics; it was only the Pan Ams because it is a sub-brand of the Olympics. Some saw apathy and empty seats at all the venues. Some saw headaches with the government, especially, in a minority legislature. Some saw security problems, and you read all about this; you saw how exaggerated all these people in the absence of facts put forward, saw security problems similar to the G20, and then they saw venues that were late and Games that were not ready on time. Well, you have got to give the critics some credit. They were wrong about everything, but they were very thorough.

Let me talk right now about the financial history of these Games because I was there at the beginning. After the bid was won, in 2009, the governments cut $300 million off the original budget. That was the budget save for an enhancement of $74 million that we went into the Games with six years later. You cannot find anything in public life, let alone private life, that can live with a budget that is six years old, particularly, in terms of those capital expenditures. I want to say the organizing team and the Founding Chairman then, Roger Garland, and the Founding CEO, Ian Troop, did a very good job of sticking to that vision.

And do not forget another management challenge here: Nobody had heard of the brand. Nobody wanted the Games, yet one volunteer and one guy, and they had to build an organization to produce the biggest sports event in the history of Canada, hire the staff, put it all together, and the Games are over and they all disappear, never to be seen again. You think of that in terms of a management challenge, in terms of managing 10,000 athletes, selling all of the tickets, selling out 31 venues—it was an extraordinary feat.

Here we are one month after the Games, and let me tell you about the financial history because there have been many, many critics, and this is very important to understand these facts: We have already established that the capital surplus on these Games was $57 million under budget.

That is old news. I am here to tell you today that there is a new contingency, a contingency on capital of at least another $10 million going on to of that, and I will tell you today that there will be an operating surplus of tens of millions of dollars—tens of millions of dollars under budget, call it a surplus, some call it a profit. That is the way these Games were run.

Let me tell you, it is a credit to a great number of people, but this guy right here, Säad Rafi, came in here a couple of years ago and has done an outstanding job managing for value, getting every last penny's worth of value out of these Games and doing a brilliant job. Let me just say there is a number of his senior leadership team right here. I think they should stand up because this is a leadership team I would go to war with anytime, anywhere—an enormously competent person and if my numbers are wrong, it is Barb Anderson's fault, so do not worry about it.

I just want to give you an example of the kind of things that Saad had to do. This is the largest Games in Canadian history, 10,000 athletes and officials, 31 venues—did it with roughly 1,000 paid staff. The Winter Olympics had about 3,000 athletes and officials, one third the size, with 4,000 paid staff. How can you do that? You do that with extraordinary management and you also do that with 23,000 of the most dedicated volunteers you have ever seen in your life.

Let me just say it was done cooperatively. This was unique in Canadian history. This was a cooperation of four levels of government. The First Nations were deeply involved. Bryan LaForme, through the Mississaugas of the New Credit, was our partner throughout. We are on their traditional lands. They are included in everything, and they were wonderful partners. I think we helped create a new dialogue going forward in the future.

We had the federal government. The federal government was a contributor here, and Bal Gosal, the Minister, was enormously helpful in always standing up for our causes and did a wonderful job. Our Minister, Michael Coteau—and really, the primary responsibility was the provincial government—carried that can with aplomb and courage and grace, even when he was being criticized. Then, the municipal governments—there were 14 municipalities involved in all of this, principally, Toronto, but Hamilton and a variety of others. I said to Norm Kelley, who was always been a supporter, thank you and thank the city and thank the Mayor for all you have done to make this a stunning success. This was a model of cooperation. Not bad to remind these guys during this election that, occasionally, we can get along.

Let me tell you as well, corporate Canada stepped up with aplomb. Monica is here from CIBC. CIBC was the principal sponsor. They did a wonderful job and were there all the way. We raised $169 million in sponsorships from about 80 sponsors. That is the largest sponsorship program in Canada outside of the Olympics and the greatest sponsorship in Pan Am history. You can see that Canadians stepped up.

Let me just talk briefly about the visions, carrying out the visions. Not only did the Games deliver surplus, but we delivered on the vision. The government estimates 26, 000 jobs were created and added about 3.7 to the GNP. In spite of the fact that if you search the press, you will see somebody go around and find a business whose business was off during the Games—because you heard all of that—but that is factually untrue. I am not saying there are not the odd exception to what I am saying. But Moneris, the only objective arbiter and one who studied this, says that business was up 7.7% in the downtown core as a result of the Games and international spending was up almost 19%. In other words, the Games were good for business. I read this morning in the *Hotelier Magazine*, and it said the Pan Am Games—this was just this morning—across GTA, left hoteliers beaming, and it was the best summer they have ever had. It was not just one winner in all of this; everybody was a winner.

Let me talk about the legacy, which is a very, very big part of these Games. I told you we had wonderful partners throughout these Games, and the legacy is spread throughout the entire GTA. There is a brand new track at York University, where you saw the opening of the Parapans, and you saw Andre De Grasse run there and it is, shall I say, to die for—permanent to York University. A new stadium in Hamilton has helped revitalize Hamilton, and people there—they tell me, are very, very proud of it. A new velodrome in Milton. Very few people have ever ridden in a velodrome. I have. It is a thrill of a lifetime, let me tell you, but that will now centre the cycling team. And it is not just a velodrome; it is a community centre with enormously great leadership by Gordie Krantz, the mayor there, who took the risk to put that into his community.

There is a new aquatic centre in Scarborough that would not be there if it was not for David Naylor, who was the President of the University of Toronto at the time. This is an aquatic centre. If you have not seen it, it is as good as anything in the world, as anything in the world. The critics are raving about this, but what is interesting about this model is its governance is tripartite: The University of Toronto, the community of Scarborough and the high-performance athletes. The dream was then as it is now: You can have Michael Phelps in one pool and a little kid from the community in the next pool, and they all interface. It is working fabulously, and everybody is happy with the way it is serving everybody. There is a new pool and sports centre in Markham, and it has already been deeply in place by that community.

In addition to all these facilities, in the budget accrued for and put away, is $70 million for legacy. In other words, that money will go for maintenance for these facilities for the longer term, for at least 10 or 15 years. In other words, we have provided not just the governance, but the funding of these assets for the years to come. I think you will find them all serving the communities well, and I can assure you there will be no orphan assets.

In addition to that, we have negotiated high-performance athletes for new and upgraded venues. That means 20 new national and provincial sports organizations have new homes. There is the Caledon Equestrian Park, and the dream was there to build something equivalent to Spruce

Meadows in Calgary. This is Spruce Meadows East, in a sense that, if you ask anybody in the agricultural business, it is a great boon to that part of the world. There is Centennial Park at BMX Centre. There is the Minden Wild Water Preserve, the Ajax Pan Am Ballpark just to name a few of the new facilities. And that leads to something where we a have new competitive advantage going forward in the world, and that is the area of sports tourism.

Sports tourism is a billion-dollar business around the world. And already we are participating in that because of these new facilities. Welland is hosting the World Dragon Boat Racing Championships. That brings 4,000 people to Welland from 20 different countries. You can imagine the economic impact on a community like Welland. Markham—they are competing for the Yonex Canadian Open in the coming years, the largest international badminton event, I am told, in the world. Milton will now host the Canadian Track Cycling Championships, and the Table Tennis Canada is just competing for the North American Olympic Qualifiers. In other words, all of these communities, all of these facilities will go on to serve the sport, the community and the local economy.

There is one other advantage from these Games. They tend to drive by a date certain a lot of other development, things that have to be done. We take no credit for the Union-Pearson Express that was going to be built anyway, but the odds are it would have been another two or three years. You take the GO services and a lot of other things and cleaning up the roads and facilities—it becomes a planning focus for things that have to be done. And so the ancillary benefits of having a Games like this provide a catalyst for the private sector and the public sector to make things happen, things that tend to fall off the table by a certain date.

Let me talk about probably the biggest legacy, and that is the Village. I am very happy: My good friend John Campbell is here from Waterfront Toronto, who had so much to do with this. This is the marquee Athletes' Village. I do not know if you have been there. I invite you to go down; it is just beside the Distillery District. This was a derelict piece of land called Ataratiri. It was industrial wasteland, and I know about this because when I was in public life, I actually bought it. Let me just say, it was just a brilliant decision about 30 years off in terms of timing, but it has turned out to be a stunning new area of this town. It has had the critics raving about it as a community and architecturally and every other way—and as development of the West Don Lands. What does it have there? It has a student residence for George Brown. It has, I think, the biggest YMCA, John, am I right, in the city, a fabulous new facility. It has got a First Nations wellness centre. It has got new condos, and I am told that 76% of those condos are sold. I think my figure is right on that. It has got sustainable housing, affordable housing, so it is a modern, new community right walkable to the downtown of the city just down Front

St. It is absolutely stunning, and you see families raising children; you see seniors raising active lives; you see lively public spaces and new parks all as a result of this development, as a result of these Games.

Now, all this costs money, right? And it does, but I can tell you that the property owned by the province in that area now has already gone up in value—something like $200 million—so there is a yield on these kind of expenditures, and my friends tell me that the tax revenue based on not just that development, all the development around it—and it is the hottest area in town right now—will raise hundreds of millions of dollars for the public purse, federal, provincial and the community. You can see that these kind of Games provide momentum and acceleration to things you need to do and want to do.

Well, let me take you to the third vision, and that was, shall we say, the elevation of the human soul. That was the inspiration. That was a harder thing to prove and a harder thing to grasp, but this is something my dear friend, Marcel Aubut, understands very well as President of the Canadian Olympic Committee. He put his full energy into these Games. He provided the best athletes in this country. They came with pride. They were all happy to wear the Canadian sweater, and they won 217 medals, a record!

We can talk about buildings, and we can talk about money, and we can talk about investment, but until this all comes alive with the human narratives, with the stories of those wonderful athletes—who had ever heard of Andre De Grasse or Ellie Black or these kids that are so absolutely wonderful?—and they tug at our heartstrings, and we share their stories, and we share their history, and your kids look at it and do the same. That, maybe, is the most important thing we do.

They had a remarkable leader, the Canadian team. This guy, I think is in the room, Curt Harnett. Where is Curt? I love Curt Harnett. It is not just because of his hair. It is just because he carried these Games with his enthusiasm, his energy and, of course, he is one of the greatest athletes Canada's every produced, but he brought soul and dimension to these Games that very few can.

Then the volunteers. I have mentioned them—about 23,000 of them. There was not a miserable experience. There was not one bad thing. You would think something bad would happen. Nothing bad happened. Every single one of these kids will tell you that was the greatest experience of their life. They were not kids, actually. They were all sizes, all age, all colours, all sexes, all religions, everything you could possibly have all mixed together, all working together, meeting people that they had never met before, working in sports they would never even heard of before, all feeling good, because they are making the world a little bit better place.

I am going to tell you a little story that means something to me: Rosie MacLennan, who many of you people have heard of now, but I had not heard it. When I was Chancellor of the University of Toronto working with David Naylor, I was at an athletic event, and there was a little kid standing there. I went over and shook her hand and I said, “Hi, I’m David Peterson, the Chancellor.” She said, “I’m Rosie MacLellan.” I said, “What do you do?” She said, “Well, I’m actually on the trampoline team.” I said, “For U of T?” “No,” she said. “I’m actually going to the Olympics.” I had never heard of her, and I was not even sure trampoline was in the Olympics, but I took it at face value. I had a lovely chat with her. She is just an absolutely outstanding young woman. She phoned me about a month later. She said, “Are you the guy I met at the University of Toronto?” I said, “I think I am.” She said, “I’m doing a fundraiser. My friend Sara Gairdner and I are doing a fundraiser for University of Toronto”—because they were raising money for the Goldring Centre—“and we would like you to come on a Friday night. We’re inviting our friends and family to this fundraiser.” I say, “Yeah, okay, Rosie, I’ll come.” I went and made a little speech. And she stood up and made a little speech. Now, she was just on her way to the Olympics. Nobody had ever heard of her. She stood up and said, “I just wanted to thank the University of Toronto for all they’ve done for me and thank my mom and my dad who drove me to all these lessons and practices all my life, who went to all these tournaments all over the place with me and gave their life and their coaches that did this for me," this little athlete and her friend, and they raised $20,000 that night and gave it to the University of Toronto.

Months later, she was off to the Olympics and our only gold medalist in London. This is the kind of character we are building in these young people. I think it is an investment of which we should all be proud.

And there is something else we did in elevating a human. We shone a little light of the world on Toronto and the things that we believe. We have a unique brand in this country, the brand of inclusiveness, the brand of sharing and the brand of diversity. We do it better than anybody else in the world, and the world understands that and, by God, the world needs it right now. It is a good thing that we were able to move the yardsticks a bit in that area as well.

Just in response to the critics, I just want to say there was no debt or cost overruns. There was no gridlock. There were some issues here and there in moving traffic, but I think the traffic plans will tell you they learned an awful lot from this experience and things. They will use those lessons going forward. Sure people adjusted their plans. GO ridership was up over 25%, but then it worked very well, and there is no question we have issues to solve in that regard going forward.

These Games were not a small, unworthy event. They were performed at Olympic caliber. All of the experts coming in from around the world said, "These Games are to

Olympic standards." You look at the 31 venues that Al Vansen had to run—31 venues across this province from Minden to Welland, the look, the feel, the security, everything worked fabulously. Over one million tickets were sold, over one million tickets—biggest event ever and people responded with enthusiasm and generosity. Attendance at the various events was over 2.25 million. And I am talking about PANAMANIA; I am talking about all of the cultural events, of 35 days of animation, of culture at Nathan Phillips Square at Pan Am Park and the Distillery District and other areas. And you saw the best of Canadian artists, and you saw us showing our soul to the world.

You can say that it was a great success. Those that predicted security problems, let me just say there was not one security problems. No, that is not true. Before the Games started, somebody found a little hole in the fence, and it took four days of media to find that little hole in the fence, and it had blown into epic proportions. Other than that, not one security problem. If you were at the Games, you just look at the behaviour of our police forces, the municipal forces. They were part of the face of Toronto. They did a fabulous job. They were happy; they were part of it; they were friendly guys. That is policing at its best. They were not standing there just being fierce and scaring people; they were part of this great face of this great country that puts forward and welcomes the world to our country in as safe way, and I think Chief

Saunders and others deserve a great deal of credit for what they have done.

Ladies and gentlemen, let me just conclude by addressing the elephant in the room, which is the Olympic bid. Should we or should we not? I can tell you this is an extremely controversial subject. I have never seen subject outside of some political debates and some religious debates that garners more strong opinions. Some that are informed; some of it are not. And this is not a debate the mayor asked for. This just came about because the Pan Am Games were such a success. I remind you it was already turned down once, but now because there is this head of steam coming up saying, "Good God, we were good at this. Should we go ahead and take it up a notch for the Olympics?" Let me tell you, this is fraught with horrible politics. You can imagine the mayor and the Council—Norm, you are listening to this—have to make a decision on this in the next five days, at least to open the door. You understand that they face an election in about three years, and the anti-voices will be very, very loud in three years, and could come along to derail a vision. You understand that the vast majority of them will not be here in 2024 to enjoy the fruits of that. Norm Kelley will. Nobody else will be here. He has been here. He has been here since 1904, so he is going to be here. I was in student politics with Norm Kelley at Western—I am not going to tell you when, but a long time ago.

It is a question that elicits very, very, very strong opinions. You ask and for some reason, Montreal is indelibly seared into people's lives. Montreal was 1976, but everybody remembers the deficit in the dome and used that as an example of public spending. They do not remember Vancouver that came in on time and under budget; they were. Calgary was a great, stunning success. These Pan Ams, which are bigger than all of them, were an outstanding success. If you want to find negative examples, you can use Sochi, or you can use Montreal, but do not be burdened by the past in your thinking on these things. I can tell you it is much, much easier, politically, not to bid on these Games. There is an old adage that Norm Kelley understands: Dogs do not bark at parked cars. But, if the political leadership starts to decide to go ahead, there are two points that I would like to make, that I would like to share with you. The Olympics is not an end in itself; it is only a means to an end. And the mayor is absolutely right to ask the most important questions: Will it help people? Will it benefit people? Will it build a better a better city? Will it advance our agenda of transportation?—and that is probably our biggest, most complex problem in the city. Will it advance waterfront development? Will it advance housing? Will it detract or reduce resources that maybe should be committed to other areas? Will it bring people together? And will it advance our human objectives in this? Those are the right questions to ask, and they have to satisfy themselves. If the Olympic bid and achieving the

Olympics does not achieve those ends, then it is not worth doing.

Number two, the only advice I would give is you need big vision to pull off something like that Pan Ams or the Olympics. And you have to believe in it passionately because I can tell you, there will be bumps in the road, and there will be rough spots and there will be lots of critics. Everyone will ask the question how it advances their own agenda. The Olympic bid has to win over that person who is looking out their front window at a pothole and saying, "How will an Olympic bid fill my pothole?" Or how will it ease congestion? How will an Olympics drive the change that people want? Then, of course, you have to go to the question, "Can we afford it?" The cost of the Olympics depends on the size of the vision. You can have a very narrow vision, and you can have a broader vision if you want to use the Olympics to accomplish a lot of other social and planning purposes, but that has to be articulated by our political leadership with the visions they have and the future that they have for this great city.

I want to make one important point that is rarely made and, I think, rarely understood. Anytime you hear a figure for the Games, you will hear a figure that sounds like a lot of money, and it is a lot of money, whatever that figure is. But this cost would be spread over seven years. It is not a one-off expenditure in one year. That cost would be shared with the private sector because it attracts huge investment, as well as the federal, provincial and municipal governments. If you take that cost—whatever it is—as a percentage of the total infrastructure budgets, you will find it is not a significant figure. That is often lost in the debate on the costs of these kinds of Games.

Well, what are the odds of winning? Five days to decide. The mayor and Council have to make the decision. At least they have to open the door. They have to send a letter to the IOC with a signature of the president and the COC, Marcel, who is here as well as Mayor John Tory, saying we want to open the door as well as $150,000 deposit. Then, the work starts, if they decide to open that door. They can always close that door. They can always close it, if they come to the conclusion that they cannot pull off the vision or if they do not have the vision. People tell me, in the know—and we had many, many international visitors here this summer—that we have a very, very favourable position to win because of the stunning success of the Pan Ams, the venues, the wonderful organization, the volunteers, the outstanding response from the communities, the unparalleled cooperation of all levels of government, many facilities in the Pan Ams can be used for the Olympics. Do not get the impression you have to build all new stuff; you do not because we have a lot of great facilities. We have the best time zone. The Eastern Time Zone is the best commercial time zone in the world to stage Games, and it is probably—although this is not an absolute rule—North America's turn to host the Games.

Canada's brand is very, very, very welcomed in the world because we represent the best of the world, the best of the world, and everybody knows that the world needs more of Canada, not less of Canada. Let me tell you the greatest compliment I got on these Games. I was walking out of the opening ceremony, and I hope some of you saw it on television or were there. I walked out with a chief from Quebec. He was French-speaking; he was an Aboriginal chief, and we walked out together. I said, "Chief, what do you think of it?" He said, "That was a beautiful, beautiful ceremony." I said, "Why?" He said, "Because you told everybody's story." Think about it. We told everybody's story. Everybody felt included in that event, and I think in the entire Games.

Let me not be naïve in conclusion. This is not without huge risks. It could easily lose. Criticism could drown out all the other positive aspects because the negative noises tend to be louder than the positive noises. We live in a free and democratic society, and everybody has a right to their point of view. And bad things can happen, especially if you are looking for them. I can tell you there are no guarantees. The question is, "Is it worth the risk?"

In conclusion, let me just say the mayor and the Council will make a decision in the next few days. I do know this about life, and this is my own personal conclusion: It is a lot easier to do nothing than it is to do something. There are no critics if you are doing nothing, but I do know that cities, provinces, countries, as with individuals, are better when they aspire, when they have big dreams and when they reach. We, in Canada, are good at dreaming, planning, building and executing ambitious ideas. We have proven that. It will be up to the people of this region to decide where this renewed confidence can take us. The 2015 Games may be over, but the impact, the legacy and the transformation are really just beginning. Thank you very much.

Question & Answer

Q: **Premier Peterson, thank you for comments, and, again, congratulations to you and the team who are all here, on a fantastic, fantastic Pan Am Games—really enjoyed it. The elephant in the room is, indeed, the Olympics. We all know the bid is due next week, and, building on the momentum we have right now, I guess what you are suggesting is we need to sort of strike now, in a sense, while the iron is hot. We have got great facilities, momentum, brand, etc. What exactly is the holdup with writing a cheque for $150, 000 to open that door next week, and what role are you playing with the experience you have now to persuade the Council and the mayor of the fact that we should be pursuing this great ambition and vision and making it a reality in 2024?**

DP: Look, I consider I have given blood, but then I have lots more blood to give. It is obvious from my remarks that I think we should reach for this, personally. I have no influence on this decision whatsoever, and I do think I understand the politics from the point of view of the mayor and the Council. But I can tell you there are a lot of critics out there. I read it all, and there are some highly uninformed and influential critics out there that will come to bring their points to view as they have every right to do. I am not trying to shut off discussion. My own opinion is there is no official group right now. There is no organizing committee. Marcel has been very vocal, and he understands the international politics of the sports better than anybody in this country, and he has many, many friends. He lives in Quebec City, not in Toronto. He speaks for the Canadian athletes and has done a great job with the Olympic Committee, but he cannot speak for Toronto. Toronto has to speak for itself, and that is through the voice of the mayor with the help of the other levels of government. I think if you think it is worthwhile and you ask Norm Kelley, this is not easy. He will be hearing both sides of this, I would assume. Some people feel passionately the other way about it.

I think if you feel it is worthwhile, fire off an email to the mayor and say, "Look, Mayor, I understand you have a tough decision to make. If you decide to do it, I'm there with you." By the way, if the Olympians come along, it will involve *thousands* of people, not just a few. This is not an elite enterprise. This is not an elite undertaking. It is going to involve all the corporate leadership; it is going to involve the social leadership; all the sports leadership; the moms and dads and eventually that 11-year-old kid who tells their mom, "Take me to the Olympics, and I'm going to get up earlier and I'm going to work a little harder today, so I can run in that race." That is what moms and dads, or at least that is what guys like me when I was a dad, like to hear. This is for all of us. It is not for just a few of us.

Note of Appreciation by Geoff Wilson, CEO, Ports Ontario

Well, I have the great pleasure of, on behalf of the Empire Club of Canada and everyone here, friends and colleagues in the room today, offering thanks for David Peterson's speech today. But it occurs to me in listening and in watching your reaction that a thank you for a speaker for coming and giving us a wonderful speech today is really not what I would like to do. What I would really like to do is thank Mr. Peterson for making us feel pretty special to be in Toronto; Toronto has arrived, and for the wonderful team that he very freely and generously also points out in this room. I would actually like Saad Rafi and his team right here to stand up for a second, Mr. Peterson.

We were a proud sponsor of the Pan Am Games—Ports Toronto was—and when the Games are a success, every sponsor feels special, and that was special to me in a personal way as well. I think that as one of thousands of people that attended this sporting event, and I am sure many of you did as well, you caught the spirit; you caught the excitement of the moment. This was a very impressive undertaking that this team put together—that Mr. Peterson led. I am grateful for your coming today, David, and giving us this insight and telling the story. The Games captured our imaginations. The Games really, truly made us feel fortunate here in Toronto. It really made us feel like this city has arrived on a global stage, and that is really important. And the Games are over now, but we are going to continue to benefit from the infrastructure, from the goodwill and from all of the generated excitement and enthusiasm and energy that the Games have put together. On behalf of the Board of the Economic Club of Canada, thank you all for coming and a very special thank you to Mr. David Peterson who sits here.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Geoff, and thank you very much to Ports Toronto as well for sponsoring our event today. Thank you, Mr. Peterson, again, for a wonderful season opener, and I must say that Gandhi, Churchill and Peterson is starting to have a certain ring to it. I do not know. We would also like to thank the *National Post* and our other print sponsors as well as Rogers Cable, our television sponsor. Please, follow us on Twitter @Empire_Club, and visit us online at empireclub.org, or you can follow us on Facebook, LinkedIn and Instagram.

We would also like you to join us in the coming weeks. We have got an incredible season lined up. Starting next week, we will have Omar Khadr's lawyer talking about, obviously, from his and his client's perspective, the long and torturous route to justice as well as we have Rachel Notley coming in to do her first out-of-Alberta, major address to Canadians here on October 2nd. She will be followed three days later by our own Premier, Kathleen Wynne, who is going to come to join us. And in a few weeks' time, we have got the Governor of the Bank of Canada. Please, join us again this season. It is going to be a great and very rich season. Thank you for coming to our season opener. Have a great day, everyone. Thank you.

The Empire Club Presents

WITNESS HISTORY: DENNIS EDNEY, Q.C., LAWYER FOR OMAR KHADR IN CONVERSATION WITH MICHELLE SHEPHARD OF THE *TORONTO STAR*

September 15, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Hilton Hotel in downtown Toronto, welcome to the 112th season of the Empire Club of Canada. For those of you joining us through either our international webcast or podcast or on television through Rogers Cable, welcome, to this meeting. Now, before our distinguished guest is introduced today, it gives me great pleasure to introduce you all to our head table guests. I would ask that each head table guest rise for a brief moment and then be seated as your name is called, and I would ask that the audience, please, refrain from applauding until all of the head table guests have been introduced.

HEAD TABLE:

Guest Speaker:

Mr. Dennis Edney, Q.C., Lawyer for Omar Khadr

Guests:

Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada

Ms. Ann Hawkins, President, Ontario English Catholic Teachers Association (OECTA)

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Bob Ramsay, President, Ramsay Inc.; Founder, RamsayTalks

Mr. Peter Raymont, Emmy Award–winning Producer of *Guantanamo's Child*

Mr. Antoni Shelton, Director Government Relations/Liaison to the President, Ontario Federation of Labour

Ms. Michelle Shephard, National Security Reporter, *Toronto Star*

Ms. Verity Sylvester, Strategic Search Consultant, TEEMA Strategic Search; Past President, Empire Club of Canada

Mr. John Weatherup, President, Toronto Education Workers Local 4400

I would also like to acknowledge the presence in our live audience today of Patricia Edney, Dennis's lovely wife: Patricia, welcome to the Empire Club of Canada. Thanks for being with us. We are also privileged today—I have to point this out—because it is where you get the whole holy trinity together: We have John Honderich, John Cruickshank and Michael Cooke from the *Toronto Star*. Thank you very much for being with us.

Now, here to introduce our head speaker today is Bob Ramsay. Gosh, Bob and I have known each other forever. You might recall when he was on the cover of *Toronto Life* magazine back in the 1980's, and I think there was something in the story about Bob Ramsay and 10, 000 of his closest friends. We both have that Mickey Rooney thing about "Let's put on a show; let's do lunches." And we are so happy to be partnering with him today. Bob, if you would, please, do the honours of introducing our guest speaker today.

Introduction by Bob Ramsay, President, Ramsay Inc; Founder, RamsayTalks

Thank you, Gordon, for that kind and very lavish introduction, and, thank you, to the Empire Club for partnering with Ramsay Talks to remind us why it is so vital to speak truths to power. Dennis Edney is a master of doing that. He is dogged, obsessive, fearless, funny, obscene and never knows when he is beaten. In short, he is a Scot. For 11 years he has pursued what other defense counsel labeled the ultimate hopeless cause. Omar Khadr was a 15-year-old Canadian living in Afghanistan accused of killing an American soldier; shipped off to Guantanamo where he lived for 3647 days; and was enthusiastically tortured by US interrogators.

In 2012, he was sent back to prison in Canada where he was freed on parole this past May. He now lives in Edmonton with Dennis Edney and his wife, Patricia. Now, under those bare facts, sits Winston Churchill's great insight: "In wartimes," Churchill said, "truth is so precious that she should always be attended by a bodyguard of lies." For if the Omar Khadr story tells us anything, it is that the whole truth is still not known and likely never will be. Is he a child soldier, a victim, or is he a terrorist? Or is the real terrorist America for denying him due process and the human rights we accord other prisoners of war? Is Canada a dupe for taking him back? Is Stephen Harper protecting us in his relentless pursuit of Khadr through the courts, or is he, in fact, stripping us of our own rights by denying his? But all the bodyguards on earth cannot protect us from one essential truth: If it were not for Dennis Edney and his colleagues, Mr. Khadr would still be rotting away in Guantanamo; we would not be here today; and there would not be a documentary called *Guantanamo's Child.* That film premiered at TIFF last night to two standing ovations. It is worth seeing for its shock value alone in showing how we are all still 9/11's children, but even more in showing what it takes to clear the fog of war and see justice done.

Guantanamo's Child was co-directed by Michelle Shephard, the renowned national security reporter for the *Toronto Star* who traveled on the *Star's* dime 26 times to Guantanamo and who wrote the book that sparked the film. I have asked Michelle to interview Dennis Edney after he speaks with us. Now, usually, an interviewer would be stridently disengaged, if not aggressively probing her subject, especially, when he is a lawyer who takes no prisoners. Well, I think you will see that Michelle, a multiple national newspaper award winner and winner of the Michener Award for Public Service Journalism—well, let us just say she has been waiting a decade for the opportunity to get even with her subject.

First, please, welcome to the Empire Club podium, one of the great human rights lawyers of our age, a symbol of so much that is right about Canada and its legal institutions and a man who can handle the truth, ladies and gentlemen, Dennis Edney, Q.C.

Dennis Edney, Q.C.

Thank you. Do not believe half of what he said. I thank you for all being here today. I am particularly pleased to see two old friends, Paul Schabas and Paul Copeland, here today, and I thank them for being here. The title of my talk is "Rule of Law in an Age of Fear." I will touch upon a number of themes, and, hopefully, by the end of my talk, I will have challenged you to question whether the concept and the practice of justice is being carried out in your name.

It is an accepted fact that the world today faces great challenges to the rule of law and human rights. Previously, well-established and accepted legal principles are now being called into question in all regions of the world through what I would suggest are ill-conceived responses to terrorism. Many of the achievements in the legal protection of human rights are under attack. Now, terrorism certainly poses a threat, a serious threat to human rights, and all countries have an obligation to take effective measures to protect its citizens. However, since 2001, many countries have adopted new counter-terrorism measures that I would suggest are in breach of their international obligations. In some countries, the post-9/11 climate of fear and insecurity has been exploited to justify long-standing human rights violations carried out in the name of national security. And this has led to an intense debate over where the balance lies between the rule of law, human rights and civil liberties on the one hand and security on the other.

Former US Secretary of State Madeleine Albright, on leaving office, gave her opinion about where she felt the bounds should be. She said, "We have found, through experience around the world, that the best way to defeat terrorism is to increase law enforcement capabilities, while at the same time promoting democracy and human rights." Now, those remarks would have struck many western liberal audiences at the time as mainstream beliefs consistent with the rule of law and reflective of values, which we pride ourselves of at that time. However, over the years, many western democracies since 9/11 have reappraised the balance described by Madam Albright and exploited the climate of security or insecurity and embarked upon a politics of fear to limit civil liberties.

Consider, for example, the federal government's new anti-terrorism legislation, giving new powers to the Canadian Security Intelligence Service, CSIS, allowing it to obtain and share information about Canadians, to detain Canadian citizens without due process, to place individuals on a no-fly list without notice or explanation, all without convincing mechanisms to ensure these powers are not misused. And CSIS, whose role was limited to collecting and analyzing information, will be even empowered to ask a judge in a secret hearing for warrant to violate constitutional rights. And under the cloud of fear produced by repeated hyperbole about the nature and scope of the terrorism threat that we hear every day, we have now turned our domestic spy agency into something that looks disturbingly like a secret police force. And there are those who view this legislation as an inversion of the judiciary's role as a protector of our constitutional rights and a violation of judicial independence from the government.

Now, amongst the various explanations given by our government for those unconstrained powers, one statement intrigued me. It was that judges have constrained agencies' powers in the name of preserving civil liberties. The view that the judiciary is an obstacle to public safety is not a novel one. The Bush administration itself in setting out his national defense strategy in 2005 warned Americans that our strength as a nation will continue to be challenged by those who employ a strategy of the weak, by using international media and judicial processes. And, similarly, in Britain, former Prime Minister Tony Blair, on the point of leaving office, stated that it is a dangerous misjudgment to put civil liberties first. To do so was both misguided and wrong.

Now, this is chilling language. In adopting measures aimed at suppressing acts of terrorism, it is not simply a utilitarian calculation of security trumping our civil liberties or balancing the right to security of the many against the legal rights of the few. That is because we are fighting for more than the safety of our citizens, though that is an important objective. But we are also fighting for the preservation of our democratic way of life, our right to freedom of thought and expression and our commitment to the rule of law—those liberties, which have been hard-won over the centuries and which we should hold dear. So, in our commitment to the rule of law, we cannot compromise on long-standing principles of justice and liberty. It is only by adhering to the rule of law that we are able to define the boundaries of permissible and legitimate state action.

And to those who would place security at the expense of civil liberties, they could have benefitted from the words of former US Supreme Court Justice William Brennan, Jr., on past history. He said, "There is considerably less to be proud about and a good deal to be embarrassed about when one reflects on the shabby treatment civil liberties have received in the United States during times of war and perceived threats to national security. After each perceived security crisis ended, the United States has remorsefully realized the abrogation of civil liberties was simply unnecessary, but it has proven unable to prevent itself from repeating the error when the next crisis comes along."

Meanwhile, the phrase "war and terror" and the word 'terrorist' has now become synonymous with Islam and Muslims in the minds of many. We have all bought into the phrase "war and terror." It is an inaccurate term, a rhetorical device, a cynical manipulation of the public's horror after 9/11. The phrase "war and terror" has no more legal or prodigal meaning than with a war on cancer or poverty. As a result, it is easy for people to accept that drastic measures must be taken in the interest of security, even if it means suspension of civil liberties, compromising our values or ignoring the rule of law. We rationalize, "It's for the greater good of society." Can we now state with any conviction that we have become a more stable world, a more tolerant and compassionate society since 2001? The reality is, is that public anxiety has increased along with intolerance, discrimination and bigotry. Since 2013, the overall number of reported hate crimes against religious groups fell in Canada, except for Muslims, who have experienced a 44% increase according to Statistics Canada. And one has to look no further than Guantanamo Bay, Cuba, to understand how easy it is for a nation to fall into lawlessness when one does not get the balance right. It was in January of 2002, we witnessed the first shocking images of the detainees, hooded and shackled for transportation across the Atlantic to Guantanamo Bay, much as other human beings had been carried in slave ships 400 years ago. And on their arrival in Guantanamo Bay, they were then unloaded on the tarmac like so much human baggage to then be transported to open-air wild cages that would be their home for years—all without access to family, friends, lawyers, human rights organizations or any semblance of due process or oversight. And the photos of detainees that we saw in orange jumpsuits, cuffed, hooded and masked, while kneeling at the feet of US soldiers in these outdoor cages, became emblematic of how the US intended to fight their war on terror. For the watching world, which is you and I, no knowledge of international humanitarian conventions was needed to understand what was being witnessed was unlawful. This was not a manifestation of the Geneva Conventions at work nor was it an act of deportation or extradition. It was *far* worse. It was the unlawful transportation to a world outside the reach of law and intended to remain so. And, in that world, crimes against humanity would be carried out in Guantanamo Bay.

I would say that I would never have envisaged that the history of the new century would encompass a destruction and a distortion of fundamental legal and constitutional principles that have been in place since the 17th century. We appear to have forgotten the lessons of the 17th century Star Chamber where the accused were submitted to torture, to accusations based on secret evidence, heard by a secret court while being shackled in extremes of isolation. The worst excesses of the past years should have sounded loud alarms and not the least because of that precise historic parallel to the Star Chamber. We are witnesses to habeas corpus being abandoned, secret courts being created to hear secret evidence, guilt inferred by association, torture and rendition nakedly justified and vital international conventions consolidated in the aftermath of the Second World War. The Geneva Conventions, the Refugee Conventions the Torture Convention and more have been deliberately avoided or ignored in the war on terror by many western governments, including our own.

It was into this hellish world that I described that a young Canadian boy Omar Khadr was abandoned at the age of 15. As many of you may know, he was 15 years old when his father left him in a compound in Afghanistan controlled by half a dozen or so Taliban fighters and with the father promising to return, but never did. And one day, US soldiers on patrol came knocking on the door of the compound demanding entry. A firefight ensued resulting in an aerial bombardment that destroyed the compound killing most of the inhabitants. Then, Delta soldiers then went into the compound to mop up any survivors. A Delta Force soldier gave evidence at Omar's so-called trial that he saw Omar away from the battlefield facing a blank wall screaming from his shrapnel injuries, and then he shot him twice in the back. That act in itself was a war crime.

Miraculously, Omar survived. He was eventually loaded onto a military helicopter and regained consciousness seven days later in a hospital at the US Internment Facility in Bagram, Afghanistan. And on awakening, little did Omar know that his troubles had only started.

And during his three months in the Bagram hospital, Omar was interrogated repeatedly by a military interrogation team under the supervision of Sergeant Joshua Claus, who acknowledged he had interrogated Omar 20–25 times over three-month period for up to six hours at a time. In fact, Claus indicated that he may have been more robust with Omar than with others. And that says something because Claus was later convicted by US Military for killing one detainee, crippling two others, using the same techniques that he had used on Omar Khadr, and in mitigation before a military court, what did he say? He said "I felt pressured to get results." Then, Claus was then granted immunity by military prosecutors in Omar's trial in exchange for him testifying that Omar had confessed to him that he had thrown a hand grenade that killed a Delta Force soldier. This is the sole evidence linking Omar to having thrown a hand grenade: A confessional statement to his torturer.

At the outset in this Bagram hospital, Omar was initially unable to walk due to his injuries, so his interrogations would take place at his bedside. His hands and feet would be shackled to the bed while all pain medication would be withdrawn in readying him for his torturers. From the very outset, from the moment he gained consciousness, he was made to confess that he had thrown a hand grenade that had killed a Delta Force soldier. When his interrogators did not like his answers, Omar's body would be placed in stressed positions that caused him agonizing pain, reducing him into tears and screams. And then his captors would shine bright lights, these pencil lights, into his already damaged eyes, causing more agonizing pain.

Today, Omar is blind in one eye and partially blind in the other. As Omar became mobile, he would then be taken into an interrogation room with a hood placed over his head while snarling dogs were used to terrify this 15-year-old. And Omar recalls that the hood would be wrapped so tightly around his neck that he could hardly breathe, causing him to panic. At other times, he would be chained in what I describe as a crucifixion pose, his arms and legs would be stretched out in extreme positions while being required to balance on his toes and all the while naked and suffering from a shattered shoulder. At times he would be kept in that position for so long that he would urinate on himself, which was the sole intention. And this would then be the signal for his interrogators to carry out various sexual humiliations, which I do not care to describe other than to say his body and his head was used as a mop to clean up the urine.

A former Army medic who worked in the Bagram hospital testified that he once found Khadr chained to the door frame of a five-foot square wired cage with his arms suspended above his shoulders, hooded and weeping. There were simply no boundaries to these human rights violations. Organizations such as the International Red Cross, Amnesty International and Human Rights Watch have reported, publicly reported, such violations against detainees, including Omar, included physical and sexual abuse, torture, rape and murder.

In fact, I spoke with a former British detainee not so long ago when I was trying to get an understanding of what to face when Omar got out. One said to me, “You know, there are nights I get in a car; I go driving up the road, and I just keep screaming.” Another guy said, “You know, sometimes I turn around to my wife, and I say to her, ‘You were never raped.’” He said, “You know, Dennis, we were only there for four years; Omar was there ten years.” Needless to say, it goes against the very core of humanity that torture and abuse of a 15-year-old boy would take place in a hospital where people are at their most vulnerable. And meanwhile, former Minister of Foreign Affairs, Peter MacKay, persisted in telling you and I, the Canadian public, that he had been assured Omar is being treated humanely and would take the United States at its word. Meanwhile, every other western country was less accepting and demanded return of their citizens, adults, each and every one of them and that was granted. And whatever abuses Omar suffered in the Bagram hospital followed him all the way to Guantanamo Bay, Cuba.

Now, as you understand, Omar is often referred to, particularly, by our government, as a convicted war criminal and a murderer without any backdrop to his convictions; however, the American Military Commission or tribunal that convicted Omar should be understood as not being a normal court. It was a pantomime of justice, removed from the normal American legal system and relying on made-up rules and novel legal interpretations.

I remember my co-counsel Nate Whitling saying one day as we walked out of the courtroom, "I'm so ashamed of myself for being here." I felt the same way. It is only very recently that General Martins, the newly appointed Chief Prosecutor in the Military Commission system in Guantanamo acknowledged that the initial versions of these commissions were flawed and unfair. He stated that publicly just recently, and he also stated that he promised to put in place a higher bar to hearsay evidence and a prohibition against using statements made during cruel or degrading mistreatment. That is his language.

However, the Alberta Court of Appeal put it recently in dry laid damning language. It said, "The legal process under which Khadr was held and the evidence elicited from him have been found to have violated both the Charter and International Human Rights law." And the Supreme Court of Canada has also said as much. And, yes, Omar plead guilty as part of the plea bargain. Before plead guilty, it was made clear that unless he did so, he faced a lifetime of indefinite detention regardless of the outcome of the trial. He had, at that point, already spent nearly a decade in American custody, held in places that were entirely removed from the realm of law where abuse and torture was standard operating procedures. Who amongst us would not have taken that plea bargain to escape that hell hole? I had a difficult time persuading Omar to take the plea because he said to me, "The Canadians will think I'm a terrorist by entering into this plea bargain."

Our generation has had the most sophisticated development of international laws, treaties and conventions the international community has ever known, all stating that human rights abuses will not be tolerated. These international instruments include the Geneva Conventions, the Convention of Torture, the Convention of the Rights of the Child and many, many more, all applicable to Omar Khadr and each and every one of them denied to him. As a result, the international consensus deflected in the Universal Declaration of Human Rights and the Charter of the United Nations that no one in the future would fall outside the protection of the law has been overridden and supplanted by lawlessness. And, as a signatory to all those international treaties, Canada has an obligation to protest when they are not being applied to one of its citizens, and yet, it has refused to uphold its human rights obligations when it comes to Omar Khadr.

The Harper government, by its actions, has demonstrated a shocking, a reckless and a ruthless disregard for those moral and legal laws that gives effect to the idea of fairness. By doing so, it has shown just how fragile are the laws and their application that we assume are there to protect us when faced with a government determined to follow a contrary path.

As I conclude, history tells us that there are some cases that enshrine the defining moments of the time. Omar Khadr's case is one. Future generations will rightly judge our shocking dereliction of responsibility in this matter and our collective failure to extend justice and humanity. As we have failed Omar, we have also failed our children through bequeathing to them an uncertain future as a result of systemic apathy by its citizens and civil institutions.

Omar's story provides a frightening lens into the future of democracy and a decline of the rule of law as we once knew it. His story is not just about a boy who was detained and abused. His story is also about how we, as individuals, define ourselves as a society and what we are prepared to stand up for, because if this could happen to a 15-year-old Canadian youth, then who amongst us is safe?

Thank you.

Interview of Dennis Edney, Q.C., by Michelle Shephard

MS: Thank you all for coming very much. I laughed when Bob said at the beginning that it would be hard for me to do this interview, because I knew Dennis so well and I said, "On the contrary, I have had to be nice to him for 12 years to get that Omar Khadr interview, so now I do not care anymore, so I can ask him all the questions I want to and grill him.

Before we start, I just want to tell one Dennis story, which is over the years, one of my favourite, and I think it describes the character. I think Bob gave him a great introduction with all the different descriptive words he used. This was in Guantanamo on one of the trips on which we both were. To report from Guantanamo, it is almost like an imbed: You have very little control over what you can do, where you can go. At one point, we had military officers trying to escort us to the porta potties, so it is very restricted. We always used to say that it is the journalists, the defense lawyers and the detainees that are the most despised and sometimes in different orders. One night at the media tent, I hear this, "Psst, psst, psst." I come out and there is Dennis in his GTMO uniform, which tended to be black dress socks, shorts, tennis shoes

and a golf shirt. And he was in a golf cart. They call this the mules down there. Some of the defense lawyers got these golf carts to drive around. He was, like, "Come on, come on. Let's go! Let's go!" Dennis persuaded myself and the *Globe and Mail* reporter Omar El Akkad to get in the golf cart, and we took off, which was a complete no-no—I mean taking off as fast as you can in Guantanamo, which has a 25-km speed limit on many of the roads. At one point, he got so animated as he told us the story as we were driving around the base that he started to actually drive off the road. We almost went over a cliff, and Omar El Akaad and I still laugh about that story thinking that that was the way we were going to die and that we were going to win a Darwin Award for that one. On that note…

DE: That story is also about the Muslim news reporter who was there, and so I realize at some point that we were in an area that was so dangerous, we could get shot. So, I said to Omar, the journalist, "You get out and you run."

MS: And we will be fine.

DE: "We'll be fine. Nobody's going to pay attention to you at all. This is just Guantanamo Bay."

MS: I think Omar is now in California covering technology. I am just going to start at the beginning, Dennis. I think that for a lot of people, what has

made this story so interesting is you defending Omar Khadr. In 2003, when there was not much sympathy for this case at all, you and Nathan Whitling came from Edmonton to Toronto and knocked on the door of Omar Khadr's grandparents. I just wanted to know: Why did you decide to cover this case, and describe, as best you can remember, what it was like that first day.

DE: That is so long ago. All I know is that we understood that—at least I understood, that Guantanamo was a place beyond the rule of law, and that really offended me. I wanted to know more about it, and I communicated with the government. Of course, the government would not speak to me. So, I realized I needed the authority of Omar's mother or grandparents. I knocked on their door, Nate and I, and said, "We're prepared to represent your son at no expense, but we need your authorization." That started a journey that I had no idea where it was going to take us.

MS: **Was there a point during that journey that you thought, "This case is never going to end"? Surely, you did not know it would go on for almost 13 years, but was there just sort of that Kafka moment where you thought, "I can't get him out of this"?**

DE: There were many times. I want to say many times, but it was a fair few times where I wanted to walk away for a variety of reasons. Maybe because I had gotten sick or maybe because I was running out of money or whatever it was; I wanted to walk away, but I did not have the courage to face Omar and tell him that. I always realized that if I walked away, I would have to spend my life lying to myself, make up some excuse why I walked away. I would always have this image of this young boy chained to a floor in a secret prison in Guantanamo, not the cages, in a cold, windowless cell. I could not live with that, so I continued on.

MS: **What were those visits like? I know when, in our film, we ask Omar what it was like when you two were down there, and he sort of had an interesting answer. He said he looked forward to the visits, but, on the other hand, they were so hard, because you reminded him of what he did not have, that on some level, he just got used to the prison life, and he could survive that way. And then you would come down and give him hope that he was going to get out one day. What were those visits like for you, just physically, emotionally, financially?**

DE: Well, the first visit was the worst. He had been in, I think it was Camp 5, one of the secret prisons. There are three secret prisons in Guantanamo outside the cages that the Pentagon describes for enhanced interrogation techniques. I walked into this cell. It was deliberately kept cold, and here was this young man sitting on a bed, chained to the floor with all kinds of injuries, and he looked at me. My first image of him was I was looking at a broken little bird. Everything about him looked painful and tragic. He had sort of withdrawn into himself. I was there for three days, and it was only on the third day that he finally spoke to me. And I remember, on leaving that day, I said to him, “I’ll be back.” He said, “Everybody always leaves me.”

I remember walking out of there speaking to a Department of Foreign Affairs official, and I said to her, “If we don’t get him out of there, he’s going to die.” And she said, “I know.” And so our government is well aware of what the conditions that man suffered. Along the way, when I came back to see Omar, my overall theme was hope, because I told him, “If you do not have hope, then you have nothing; you’ve lost.” We spent much time with each other. I had also decided to try and educate him in different ways; for example, I had known that every adult had abused him.

I remember one time challenging him to arm wrestling. I think he thought I had lost it. He beat me at arm wrestling, and I whined, as I usually do when I lose something, but I left it at that, because the message that I had sent was, “You can beat me physically and no harm would come.” Then, later on, I moved into trash talking. I have said to Omar on many times over the years—he is a big guy, strong guy—"I can take you any time, Omar." Omar says, "In your dreams, Edney." The first time he said that in Guantanamo, I silently just was going, "Yes!" I had built up trust with this young man for him to realize that there were human beings around for him.

MS: **But did you ever feel there was a time where—I mean, he basically grew up in prison. And you knew the other members of his family. At some point after you started representing him, that CBC documentary in which his mother and his sister said rather horrendous things that created an outcry. Was there ever a time when you were with Omar that you thought, "He's manipulating me"? I will just give you one quick example in that interrogation video that came out after the court case of CSIS interrogating him: It was interesting when that was released in public, because you had people—I find it very sad; he looks like a child who is crying a one point—who said, "Oh, he manipulated them." You get that reaction. Did you ever doubt him, or did you ever have moments where you thought…?**

DE: No. I mean, I arrived there as a criminal lawyer. I am used to clients trying to manipulate you. You build up your own smell test, but you all heard him talk at the press conference. That was not prepared. In fact, he and I had a little tiff about it. He did not want to go and speak to the press, but I said, "You have to go out and say something because our neighbours are going to be outraged by this mass of media." But then I said to him, "Don't worry; I'll handle the big questions." So, he goes out there, and he answers questions such that if I could bottle, I would make a fortune as a lawyer. That is the boy/man that I knew all those years. He astounded me. The vast majority think that what you do is you get revenge against those torturers. Torture victims do not work that way. A good example is Omar. I remember saying one time to Omar, "When I get you out of here, what do you want to do?" He said, "I want to be a doctor." "Why?" He said, "Because I want to make sure that no one's ever injured or abused like me." This is in his cell. He does not need to lie to me. I thought, "Who is this guy?" Whereas, others in Guantanamo—some committed suicide; some were killed; and this young man held to strong, beautiful principles to this present day, so I trusted him.

MS: It is interesting that you talk about how he can seem to overcome and have this sort of serenity. I know when we were being interviewed for the film, that was the question that we were asked most, "How is he so calm?" And he described a scene where there was a Guantanamo guard who just wanted to get under his skin and sort of got to him every day

and tried to abuse him. At some point he just decided something to the effect of, "I'm not going let him bother me. My emotions are all I can control." We get asked that question all the time, myself and the Director, Patrick Reed, who is also here, or was here at the *Star* table. We only got a chance to see him for those few days when we were filming. How has he managed to not be bitter, to not suffer, to seem so well adjusted? It sounds like, from what you and Patricia have been saying, he continues to be so well adjusted.

DE: Well, many of the British detainees who were released, two are human rights lawyers. They started their own human rights organization. They did not go and buy guns and decide to get a ticket back to America. Omar—and these are adults—so I have always thought of Omar—this is embarrassing, because it used to… I always thought of myself as a tough criminal lawyer—as special. That particular soldier that was getting to him, he was getting to Omar in incredible vulgar, sexual ways. You must remember that one of the most important techniques in humiliating Muslims is sex, is sexually humiliating them. When I have thought of some of the people who have abused him, I do not feel kind about them. I would like to give them a punch in the nose, to say the least. Omar Khadr somehow or another says to himself, "They may take my body, but they can't take my soul." That's incredible. Someone described Omar Khadr's life in jail as that he turned his cell into a monastery. I think there's a truth to that. You cannot rule out the impact his faith has been, his religion has been in keeping him alive and those others, which you should be aware are still in Guantanamo Bay, Cuba. And I say to you—sorry to lecture—that none of us can think of ourselves as a civil society while we allow that place to exist.

MS: What we are doing now in the talks over the last couple of months have been more of a celebration because he is out. For years, you gave talks like this when he was still in. Do you have any regrets in either how you handled the case over the years or anything that happened legally? Is there anything that you look back now, and you think, "If we had done that differently, maybe we would have shaved off a few years"?

DE: I wish I had just knew how stacked the case was against us and the bullshit of Guantanamo. I wish I had known that better and that the people you are dealing with are as false as the day is long. If I had the opportunity to do it again, well, I would have a deep sigh. I do not think I would have the time or the age left to do it again, but if I had to do it again, would I do it? Of course. I do not want to sound softer here, but I have become a better man through Omar, through taking on this case. By far, the benefits to me in terms of my humanity has increased.

MS: I had some more tough questions I was getting to, but I have been told to open it up to the audience. If you have a question that you would like to ask Dennis feel free to just put your hand up; we have mics, and we can direct a mic to you.

Q: Thank you very much, Michelle and Dennis. My name is Kathy Copps, and I am with the Free Omar Campaign. We have been advocating for Omar's rights for a number of years, and I can tell you that since the interview, Omar's release, and his news conference and then the CBC documentary, there has been a huge groundswell of support for Omar from Canadians from coast to coast. And I think people are waking up to what has happened over the last ten years and how we have abrogated our right, our responsibility as citizens to hold our elected government officials responsible for what has happened to him. It is not too late. We also feel that it should not be up to Dennis and his family and his team of lawyers to take on this horrendous case on their own. We are hoping that people who are sympathetic, understand that we have an obligation as Canadians to now take some responsibility for what we have not done in the past ten years. If you are interested in helping out or donating, please, go to freeomar.ca. Thanks very much.

MS: Just building on that as we wait for the next ques-

tion, I was going to say, this has not become an election issue. Despite the fact that there has been a lot of attention, this is not something that any of the politicians want to talk about. Does that surprise you in any way, or do you think that will change?

DE: I am an expert speaker, I think. I had never been a public speaker until I took on Omar Khadr. So, I have wandered from one end of Canada to the other, back and forth. I have been at universities in the States, etc., and everybody seems to say, “Hi” and then “Goodbye.” I do not hear from them. And so people have been very silent about Omar Khadr since we got him out on bail. The bail was a real throw of the dice. Why? Because we had went to the US Supreme Court, along with others, in a landmark case about habeas rights for detainees in Guantanamo. We had been in the Canadian Supreme Court three times, have not lost a—you know American lawyers, certain American lawyers talk about never losing a case. It is a silly guy who says that, but we have not lost a single case against this government. And yet, we continue to fight for his freedom. We may very well be the only lawyers who have ever gone to the Supreme Court over a bail review. Life continues on.

Q: I was wondering, I think everybody in the room feels the same way about Omar Khadr being released. What will happen when he goes back to his family? I find that a real concern, since their vitriol. I do not

know—has their opinion changed?

DE: Well, every one of us here—and I suggest including yourself—all have family histories that we do not want to share with our neighbours.

Q: I am pointing at my sister who is over there.

DE: Except Michelle, of course. We all have. Yet, somehow or another, we get on with life. Omar Khadr, actually, answered that question. He was asked that question. What he said was, "I was in Guantanamo Bay all those years, and they weren't able to change me. And my family… " And he was talking about two people, his mother and his sister who made stupid comments, and we have held that against Omar Khadr forever. Your questions about those comments really impacts on him. You are asking what he is going to do about that. He said, "They're my family." I have my own opinion. They are only one little part of many influences that he has had as part of his life. I would not like to sit here and tell you about my background and yet, I do not think I have turned out too badly.

Q: Thank you very much for your work. It is inspiring for a young lawyer to see. I was just wondering if the deal that was made with the Americans precludes any sort of civil remedy for Omar either in Canada or in the US to sue for treatment or anything like that without given away any strategies?

DE: You ask me about a civil case in the United States?

Q: Or Canada, depending on our government's treatment of him—like Guy Paul Morin, I think got for wrongful convictions and things.

MS: There is one underway here.

DE: Got it. First of all, I can tell you that you are not allowed. The courts will not hear any applications in the United States for torture abuse. That is Obama and his federal government that put that in place. In Canada, I have a lawsuit. I filed a lawsuit at the very outset of representing Omar Khadr, a civil lawsuit. And I think I sued the government for about $100 000, and I used it to get disclosure because I had been communicating with the government, writing all these lovely little letters and getting no responses. So, I decided that one way of getting disclosure was to sue them.

Then, recently, about two years ago, quite properly, the federal government moved to strike out my pleadings because I had not done anything. The judge very kindly allowed us to amend our Statement of Claim with the very able lawyering by John Phillips. Not only were we able to continue the lawsuit, but then we were allowed to include the pleading of conspiracy, which allows us a much wider disclosure. It was always my thought that, as I move into retirement—I do not know whenever that is going to be—I could have this civil lawsuit, and I could discover all those people, including those CSIS agents who went into Guantanamo Bay and tortured Omar, along with the CIA. It would be wonderful, and I can call all these people up. That is where we are at. We are now going through this disclosure. We are going to be in federal court challenging the various frivolous claims, and then we will be doing discoveries of particular individuals. This could go on forever, but it makes them accountable that we get the backstory of Omar Khadr. We will see. Thank you.

Q: Thank you for your wonderful work, all of you. James Cullingham. Watching the film and listening to the press conference, I am mystified by Omar Khadr's ability to articulate. What was his education? I was unclear as to whether he had access to anything other than the Quran. How do you account for his remarkable sense of self and his ability to articulate his ideas?

DE: First of all, he is very bright. Very, very bright. He can speak four languages. In the early days in Guantanamo, he was not allowed any books or any stimulation or any education. Then, I teamed up with a professor at King's University, and she would write out some correspondence courses for him to do. At first, he was not allowed that information, that material. I was able to sneak it in under the guise of my legal material. My legal material was protected; they would go through it, but what I would do is I would take some briefs, and have all this paper, and I would stick in these educational plans and the guards would go through it. They did not want to keep looking at all this legal stuff, so I brought it in. I put it in front of Omar and would make a mess of the table. We had got hundreds and hundreds of documents, and then we would go through the strategy as if I was talking legal stuff to him, and we would be talking about English and history and stuff like that. He would finish his stuff, and I would take it out and brought it back and get it corrected. Eventually, they allowed him to access books, etc., etc.

MS: Then Arlette, one of the professors actually came down and would visit him and—?

DE: Only after trial.

MS: After trial. Did he have any other influences in terms of psychologists or psychiatrists that sort of helped as well?

DE: We then brought on a psychiatrist, Kate Porterfield, from New York, who continues. Omar can speak to her any time. She has been in Edmonton now twice since he has come out. We have Brigadier General Steve Xenakis, who you will see on the film, who was almost in tears. He arrived. He is a tough guy, and he answers some of the questions that were asked about Omar's—"Can you believe him?" And Xenakis says, "I've been in this business a long time, and I met this kid, and I arrived there with all kinds of suspicions."

But, he, like me, fell in love with Omar and worked hard to assist me in trying to get him out, but certainly trying to help him grow into a stronger person within Guantanamo. Not so long ago, when Omar got out on bail, we took him to Kelowna, and Xenakis flew in from Washington, and we took Omar out on a boat. I lied to the people from whom I rented this boat for an hour. I let them think I had a permit, and then I turned the boat over to Omar. We spent some time going crazy on the water. Anyway.

MS: I think that is a great way to end it, actually. Thank you very much for coming tonight. Thank you, Dennis.

Note of Appreciation by Ann Hawkins, President, Ontario English Catholic Teachers Association

Well, on behalf of the audience—and the fact that they found a Scot to thank a Scot was purely coincidental. But within the first few minutes in the reception area, you do not put two Scots together in the one room before the talk turns to politics. We had a good conversation about one of the topics that you mentioned and, to both of you, thank you very much, for your wisdom.

You started out, Dennis, with a challenge. Well, I think you did that. You challenged every single person in this room to go home and take very seriously your responsibility as a citizen of this country, because it is our responsibility to hold this government accountable for their actions, which have been deplorable. This story was very difficult to listen to. I have read some materials on the story, but had never gone to the depth that you shared with us today. It was shocking beyond belief.

I want to thank you for reminding us how precious our civil liberties and freedoms are and how important the rule of law is. And in this country today, unfortunately, we seem to have let that slide. The depravity that you told us about and the systemic apathy is very concerning to me. I have spent my life in classrooms trying to teach the children in this country how important it is to stand up for one another, and we need to stand up. We need to take this opportunity to stand up and I thank you for reminding us of this.

I want to talk about courage, briefly, obviously, the courage of Omar Khadr, but also your courage. I am going to talk about one of the Scottish traits that we are well known for. Some people would call it determination. I am quite sure your wife would call it stubbornness—and thank you for having bucketloads of it, because you obviously needed it. Finally, I would like to think that we all go out of here with a story of and the reminder of the dignity of human spirit and the fact that Omar Khadr was able to hold and shine with that human spirit. I want to thank you both very much for your time, and I want to thank the rest of you as well for sharing this time. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Ann, that was beautifully articulated and, thank you, to our generous sponsors, the Ontario English Catholic Teachers Association and the Toronto Education Workers Local 4400. Thank you so much. We cannot bring these stories to Canadians without our sponsors. We are very, very thankful to all of you.

I would also like to thank the *National Post* as our print media sponsor and Rogers Cable as our television sponsor. Ladies and gentlemen, please, follow us on Twitter @Empire_Club and visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. Please, join us again. We have a really extraordinary lineup coming up over the fall. We have a group of CEOs next week who will look at what it is like being a woman in the corner office these days—women who lead. And they will be talking about do the same challenges exist today that we saw 20 years ago? We also have David Plouffe coming up September 23rd, the Chief Advisor at Uber and a former Principal Advisor to President Barack Obama. Rachel Notley will be making one of her first major addresses outside of Alberta on October 2nd right here in this room, followed a couple of days later by Premier Wynne, who will have quite a bit to say as well on several topics. Finally, we have the Governor of the Bank of Canada showing up in early December. Mark your calendars. Lots of good stuff coming up. Thank you to our partner today, Bob Ramsay. Wonderful to work with you again, Bob, and, of course, a big thank you ladies and gentlemen, for your attendance today.

Thank you, and this meeting is now officially adjourned. Thank you.

The Empire Club Presents

EVAN BAYH
U.S. SENATOR AND FORMER GOVERNOR OF INDIANA:

ONTARIO'S NUCLEAR CHALLENGE

September 16, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Ladies and gentlemen, from the Hilton Hotel in downtown Toronto, welcome, to the season opener of the 112th season of the Empire Club of Canada. For those of you just joining us through either our webcast, our podcast or on television through Rogers Cable, welcome, to this meeting. Before our distinguished speaker is introduced today, it gives me great pleasure to introduce you to our head table guests.

HEAD TABLE:

Guest Speaker:

Mr. Evan Bayh, U.S. Senator and Former Governor of Indiana

Guests:

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Mark Fisher, Chief Executive Officer, Council of the Great Lakes Region

Mr. James Hogarth, President, Provincial Building and Construction Trades

Council of Ontario
Mr. Duncan Hawthorne, the President and CEO of Bruce Power
Mr. Chris Hughes, President, Laker Energy Products Ltd
Ms. M. J. Perry, Vice President and Owner, Mr. Discount Ltd.; Director of Empire Club of Canada

Now, we have a great honour today to have many members of our Legislative Assembly in the room. I would like to recognize them all as is our tradition.

Members of Provincial Parliament (MPPs), Ontario
Hon. Bob Chiarelli, Minister of Energy, MPP for Ottawa West–Nepean
Hon. Victor Fideli, MPP for Nipissing
Hon. Catherine Fife, MPP for Kitchener-Waterloo
Hon. Cindy Forster, MPP for Welland
Hon. Michael Harris, MPP for Kitchener-Conestoga
Hon. Marie-France Lalonde, MPP for Ottawa-Orléans
Hon. Jim MacDonell, MPP for Stormont-Dundas-South Glengarry
Hon. Lisa MacLeod, MPP for Nepean-Carlton
Hon. Dalton McGuinty, 24th Premier of the Province of Ontario
Hon. Eleanor McMahon, MPP for Burlington
Hon. Norm Miller, MPP for Parry Sound-Muskoka
Hon. Taras Natyshak, MPP for Essex
Hon. Randy Pettapiece, MPP for Perth-Wellington
Hon. Laurie Scott, MPP for Haliburton-Kawartha Lakes-Brock
Hon. Jagmeet Singh, the MPP for Bramalea-Gore-Malton
Hon. Todd Smith, MPP for Prince Edward-Hastings
Hon. Lisa Thompson, MPP for Huron-Bruce
Hon. John Vanthof, MPP for Timiskaming
Hon. Bill Walker, MPP for Bruce-Grey-Owen Sound
Hon. John Yakabuski, MPP for Renfrew-Nipissing-Pembroke

Ladies and gentlemen, lots of very important people who help to run our government today are in the room. I want to start by introducing you to Duncan Hawthorne, the President and CEO of Bruce Power, who will do the honour today of introducing us to our guest speaker.

Introduction by Duncan Hawthorne, President and CEO, Bruce Power

Thank you, Gordon, and, thank you, to the Empire Club. I have the great pleasure today of introducing to you a speaker for today's lunch, Senator Evan Bayh. I have spent the morning with him and learned a lot already about his knowledge of the political system, but also, his knowledge in this particular sector. It is a great pleasure to read such an impressive résumé, so, if you bear with me, you will get a sense of the man and his experiences, and, no doubt, it will be reflected in his comments in a few moments.

Senator Evan Bayh is a former two-term governor of Indiana and US senator and currently serves as a strategic advisor for McGuireWoods and the leadership of Nuclear Matters, which is a group dedicated to inform the public about the clear benefits that nuclear energy provides.

Senator Bayh had a very distinguished career in public service being elected overwhelmingly as Governor and Senator in his home state of Indiana. As a moderate Democrat, he is a leader working in a bipartisan manner to seek consensus on several key issues, including financial services reform and healthcare. He was also a leading voice advocating fiscal restraint on government spending. Senator Bayh served on several committees, including Armed Services; Banking, Housing and Urban Affairs; Energy and Natural Resources; Small Business and Entrepreneurship; Aging; and Senate Intelligence.

Prior to being elected to the Senate, he was elected to two terms of Governor of Indiana, where he enacted welfare reform, cut taxes and brought about fiscal discipline to the state's budget. He also served as Secretary of State in Indiana from 1986–1989.

Senator Bayh also currently serves as a Senior Advisor to Apollo Global Management in New York and on the Board of Directors for Fifth Third Bank, Marathon Petroleum Corporation, Berry Plastics Corporation, RLJ Lodging Trust and McGraw Hill Education. He also serves on the Advisory Board for the Central Intelligence Agency.

Senator Bayh today will discuss the important role nuclear power plays in the Great Lakes region as a key source of reliable, affordable electricity, while growing the economy and keeping the air we breathe clean. It is my pleasure to introduce Senator Evan Bayh.

Evan Bayh

Well, thank you very much, ladies and gentlemen. Duncan, thank you for that very generous eulogy you just provided me. You do not ordinarily get to hear things quite that nice while you are still around to appreciate them.

I do not always get introductions quite as nice as Duncan's, and I do not take them for granted. Currently, in the United States, if you believe the public opinion polls, and you look back at the history of the United States, skepticism toward our Congress is sort of part of our DNA, but it has reached a kind of a pinnacle here in the last year or two with the Congress's job approval rating bottoming out at 12%. I think it is all the way up to 15 or 16% now. So I was home in my State of Indiana not long ago and, Duncan, I was approached by one of my constituents. He said to me, "Evan, I want to ask you a question." I said, "Sure." He said, "Do you know the definition of the word 'politics'?" Well, I was pretty confident I did, but I thought I would play along, and I said, "No, tell me. What is it?" With a gleam in his eye, he said, "Well, it's really very simple. It comes from the Greek word 'poly', meaning 'many' and the English word 'tics', meaning 'small blood-sucking insects'." I do not think he was one of the 15 or 16% giving me a positive job approval rating. Thank you for your graciousness here today, and I want to thank all of you for attending. I know you are all very busy; you could be other places.

Gordon, I want to thank the Club for hosting us here today. Dalton, I want to thank you for your years of service. Having been Governor of my State, I know that is a challenging position, and the citizens of this community were benefited by your leadership for many, many years, so, thank you, for joining us today. And Bob, thank you for your presence. You have a big portfolio and important issues to handle, so thank you for being here.

For the members of your legislative body who are here, I want to thank you for your presence. I had the interesting pleasure of attending the opening of your question period today, and I could not help but think that a number of my former colleagues in our Congress could not make it in a system like that if you had to actually stand up and answer questions, on the record, in front of the television cameras. You are brave individuals.

Going back to my days as Governor, my Legislature was divided. I am a member of our Democratic Party, as Duncan indicated. My State Senate was—we have a bicameral legislative body, not like you do. My State Senate was controlled by the other party all eight years I was Governor. My House of Representatives for my first two years was 50/50 equally divided. Then, my party had a majority for four years; then, the other party had a majority for the next two years, and so, I pretty quickly deduced that if we were going to get anything done, we had to sit down and work out our differences, and the Legislature was going to need to be a full participating partner in moving Indiana forward. I have a very healthy respect for the role that you play as parliamentarians, and I want to thank you for the opportunity to meet with several of you earlier today and for your taking the time to join me here at lunch today.

Now, in the United States Senate, your average Senator has only cleared his throat after about half an hour, so I will not do that to you here today unless there is just a great groundswell for a very lengthy set of remarks. Maybe what I will do—Gordon, if it is all right—is speak for about ten minutes about the topic at hand here today, and then what I would really rather do is have a dialogue, so they can serve lunch, and I can respond to your questions because I would rather interact with you rather than just talk at you today, if that is okay. I would really rather take questions, and we can talk about the role that nuclear power plays, about American politics, about any number of things.

Speaking of which, I was recounting earlier, I was in Saudi Arabia a couple of years ago and was going to meet with the finance minister of that country. There on the wall of his very lavish office was a large flat-screen television tuned to CNN, and he was intently following the presidential political campaign in the United States. And I asked myself, "Well, we're half way around the world; you're taking a real interest in American politics." He said, "Well, yeah, there's an important reason for that." I said, "What?" He said, "Well, if we make mistakes here in Saudi Arabia, it's bad for our country. You make mistakes in America, it's bad for everybody." Perhaps, if you are interested in talking about what is going on in my country, I would be happy to do that.

We have a lot in common. My home State of Indiana has 6.5 million people; our largest trading partner by far is Canada. We have strong economic interests. Historically, the strongest pillar of Indiana's economy has been manufacturing. We make more steel than any state in the United States of America. We produce autos and auto parts, home appliances. You kind of go down the list. Those are good paying jobs, historically, but that part of our economy has been under challenge for the last 20 or 30 years. If you were to go to Lake County, Indiana, which abuts Lake Michigan, we are part of the Great Lakes Governors Association because of our proximity to Lake Michigan. Back in my father's time when he was United States Senator from Indiana, we had 90,000 or 100,000 citizens of Indiana making their livings in the steel mill. Those were good jobs with full benefits and retirement benefits, etc., etc. Today, we produce more steel than ever before. It is globally competitive, higher quality and instead of 90,000, it is probably 9,000. That is just a brief indication. I know you are familiar here in Toronto and Ontario with what has happened, the challenges in a globalized economy that are facing the manufacturing sector.

A lot like you, in our State, we diversify: We have gone into IT, biotech, other things to try and grow our economy. You are doing the same thing. We have something personal in common; I related this to some of you earlier: My wife for six years served on the International Joint

Commission. She was an appointee of President Clinton, helping to oversee the important issues involving the Great Lakes and the St. Lawrence Seaway. When I come back next time, I bring her with me, and that will help the retail aspect of your economy immensely; although, it may adversely affect the bi-family ledger. She really fell in love with your country and became expert in many things Canadian.

Finally, we face some of the challenges, going forward, together, principally in a globalized economy that is more competitive and demanding than ever before. How do we create good-paying jobs with wages that will support middle-class families? How do we attract investment in capital to Toronto, to Ontario, to Indiana and to elsewhere? What is our comparative advantage? What can we offer that other places cannot, so that our citizens can build their lives and pursue their dreams in a way that every generation of Canadians and every generation of Americans has come to expect? How do we do that in the world today?

There are a number of things that go into that. We can get into that in question and answer period, but one of those things that is just indispensable in the manufacturing sector for sure, but increasingly in other parts of the economy as well, is a dependable, affordable source of power to make the economy go. Without it, you are just going to struggle and have a difficult time. Consumers will suffer; businesses will suffer; workers will suffer without the job creation and the growth; we all struggle without that source of power. And one of the challenges we are facing today in a globalized world where we care about climate change, where we care about CO2 emissions, is how do we produce that energy in a way that is consistent with meeting our environmental and our CO2 goals as well?

Frankly, I think my country, we can learn something from the progress you have made here in your province where some time ago, I think starting in 2001, you began to reduce your reliance upon coal and look toward other sources of energy in order to get your CO2 footprint down. One of the ways you did that was by expanding your reliance upon nuclear energy which is, of course, zero carbon footprint.

We, in the States, are now facing a similar situation. We were not able in the Senate, when I was there and still to this day, to pass a cap and trade law, so there is no legislative framework for dealing with climate change and CO2 emissions. But the President of the United Sates has made this a legacy item, and he has moved forward with a regulatory mechanism through our Clean Air Act of capping emissions of CO2, regulating CO2 emissions as a pollutant and now saying to each of the 50 states, "You need to get these emissions under control. Here are the targets you need to meet over the next 5 years, 10 years, 15 years." And states will have the flexibility to meet those targets in ways that they see fit. No two states will choose to do that exactly alike. But one of the things we are struggling with, and the point of me mentioning all that, is that currently 62%, almost two thirds of the carbon-free emissions of power generation in the United States, are nuclear, *two thirds.* Some of our plants are facing challenges: They are ending the end of their useful life; the low price of natural gas; sluggish economic growth; it is a variety of factors. If we allow these plants to begin to go offline, and you face a decision about continuing yours, if— speaking for the States again— we will allow these to atrophy and go offline, removing our major source of zero-carbon generation, there is no practical way for us to meet the energy needs that we need to generate for our economy, while also meeting our carbon and our environmental aspirations as well. Nuclear is a way for us to come together and do both—be environmentally responsible in a pro-growth environment that enables us to create good jobs for middle-class families by growing our economy.

As I mentioned, it is two thirds or close to two thirds of the zero-carbon emissions. We are about 20% of our overall electric footprint. You, here in the province, are a bit higher than that. The jobs that are generated by nuclear are good-paying jobs, paying above the average, not only in the construction trades, but for those who run the plants on a permanent basis. So at a time in both our countries when we are focused on stagnant wages and income inequality, the nuclear industry generates good-paying jobs to allow middle-class families to prosper.

I am pleased to share with you the results of the report that was issued today and that concerns our power plant, the trades and the building and construction trades unions that show for Canada and for this province, in particular. We have some officials here with the Council of the Great Lakes Region. Duncan, thank you for your sponsorship. The results are very much the same: Thousands of good-paying jobs, a reliable source of power in a way that is environmentally responsible and consistent with your commitment to using less coal, meeting your environmental targets in a pro-growth environment.

South of the border, we tend to take a lot of this for granted. My average constituent, and frankly me—before I really delved into this issue—would get up in the morning, flip on the light switch. I did not really think about where the electricity came from. I depended on it, counted on it, but never gave much thought to what made that possible.

You are a hardier breed here than we are south of the border. We had a particularly bad winter by our standards last winter. We had what was called “snowmaggedon.” Some people called it the “snowpocalypse.” And so, the temperatures were very low in some parts of our country, to the northeast, in particular. A couple of the gas-fired power plants were close to going offline, ceasing to operate. They could not operate at those kind of sustained low temperatures, which meant we were on the cusp of having a brownout in major metropolitan parts of the northeastern United States. That would have gotten the public's attention big time and would have led to a whole hue and cry.

The good news there: One of the reasons we did not have that, is that nuclear power continued to operate 24/7 even in those low temperatures, providing that base of reliable power that we could count on, even when the temperatures got low and that affected gas, even when the wind was not blowing quite the way we would hope, which would affect wind power. Nuclear was there to keep the dependability in place.

When you look overseas, sometimes you can get some useful facts, again, not just theoretical, but actually what people are doing. Chinese, in my country—there are sort of mixed feelings about the Chinese. We trade with them; we buy a lot of goods from China; we try and sell things there. We tend to be a little irritated when they borrow our intellectual property and do some other things, but one thing most Americans would not tell you is that the Chinese are foolish. When you look at how China is attempting to grow their economy at rapid rates of growth—but they have got terrible climate challenges there. They have actually had to shut down a lot of manufacturing in the Greater Beijing Area because they have an international conference coming up and they want the air to be cleaner. It is so bad in Beijing right now. They are going on a crash course of building new nuclear plants. They are building coal as well as gas fire, but they are building a lot of new nuclear plants because the Chinese have concluded that if they are going to have cleaner air and economic growth, nuclear has got to be a part of that equation.

You can look at Germany. The Germans, for domestic political reasons some time ago, decided, "We are going to get out of the nuclear business. We are going to start shutting them down," and they have. They are now relying more on coal and more on natural gas, which is cleaner than coal but has a higher carbon footprint, and it puts out more CO2 than nuclear. What are the results for Germany? Germany is today emitting more CO2, and their consumers are paying more for their power.

I cannot speak for your province or for Canada, but I know where I am from, people would probably not be thrilled with paying more and emitting more carbon. That is not the future that we would embrace. We can benefit from the German example if that is not where we want to go as well. The latest figures I think showed that it is about 9% per kilowatt for non-nuclear generation here in your province. It is about 6% for nuclear generation. At a time when consumers are having to tighten their belts to make ends meet, asking them to pay more for their power supply when it is not necessary to meet your carbon goals may be something that consumers would, understandably, object to.

Let me tie all this together, Gord, and then I will do what I said and throw it open for questions. One of the regrettable things in—Dalton and I were talking about this before we came in—American politics today is that we are just so divided. It is almost as if our two political parties are not from the same country, but are from entirely different countries. In our country, the word 'compromise' at one point was viewed as an act of statesmanship, of people trying to reconcile their differences, trying to work things out, trying to find common ground. That is a good thing. Today, for many involved in the political process, the notion of sitting down with those from a different political party to try to reach a compromise that has become viewed as an act not of statesmanship, but of *betrayal.* How can you work with those people? How can you agree with them on anything? Do you know that they are bad? We have to be just unrelentingly opposed to what they say and what they stand for, which in our system is rather odd, because there would not be a *United* States of America if there had not been some pretty substantial compromises struck at the Constitutional Convention that created our country—big compromises. But there were. We look at the founders of our country as being statesmen.

Today, that is not the political climate, and I find that to be very regrettable, because if my nation and my state are going to meet the very real challenges in a dynamic and competitive world—and I suspect the same is true for Canada—we are going to have to find a way to have a robust, vigorous debate and disagree about things. At the end of the day, we have to try and work together and to find those compromises that will enable us to move forward together, because, as a civil rights leader in my country once said, not so many years ago—and I think the same is true for Canada—we may have arrived on these shores in different ships, but we are all in the same boat now. So it is incumbent upon us to work together to find those practical answers that will actually enable our people to realize the dream that generations of Canadians and generations of Americans have always cherished and that is through hard work and ingenuity and fortitude to forge a better way of life not just for themselves, but for our children and our grandchildren. I am pleased to be here today to share a few words about that with you. Again, I am grateful for your hospitality and would be happy to answer any questions you might have. Now, I would only ask if you are a member of the media, that you identify yourself, so I can know before. I have learned from a hard experience to always ask, are there any reporters here? That is my question. Thank you.

Questions & Answers

Q: Senator, I am not a member of the press, but just a retired citizen. One thing you did not cover and it seems to me is a major problem is nuclear waste. I am totally behind nuclear power and that sort of thing, but I think we have to address the question of nuclear waste and how we dispose of that in a safe manner. That is my question.

EB: Excellent question and you are exactly right, it is one of those issues that has to be addressed and, fortunately, there is a pretty good way to do it. You can look at the French, for example, I think something like 90% of the power generated in France happens to come from nuclear, a very high figure. What the French do is they reprocess the waste, which reduces the amount you have to dispose of by about 90%. Duncan and I were talking earlier today. you can actually then use some of that, re-use some of the reprocessed material to generate even further power and the French have stored the remnant, the very small remnant that remains in a very safe, environmentally-responsible way for decades and decades and decades. I do not know whether this would resonate with a Canadian audience, but in my country, in my state, if I said something to an audience like this, I said, if the French are wise enough to figure this out, surely we can, too, that would be pretty persuasive where I come from. It is a great question. Absolutely has to be done and, fortunately, there are good examples around the world, not just the French, but other places where they have done exactly that. We have sort of a system in my country that you would not, I do not commend to you, it is the result of a political dysfunction more than anything, but there are examples out there other than the United States of very good ways to deal with exactly that issue. Another question? Yes, back here.

Q: Thank you, Senator. Not a member of the media, but I do try to get them to write some of the stuff I say from time to time, but they are usually reluctant. A member of the PC caucus and, as you may know, we have been very strong supporters of nuclear for many, many years and continue to be. It is hard to isolate one jurisdiction when it comes to support of nuclear. One of the things that we watch very closely is what is going on in the United States when it comes to the development of new nuclear. Could you provide some kind of an update as to where you are, not just in the Great Lakes Region that we are part of, but in the new nuclear development in the United States? After Three Mile Island, it went dead because that misinformation and fear factor that had the effect on the politician. But where are we today with regards to development

of new nuclear in the United States because, as you say, two thirds of the emission-free power is coming from nuclear. Where are we going to be down the road in the United States?

EB: That is a good question, and, to give you a little background, in the United States today—first of all, as I mentioned, people do not think about this. It is understandable. They can flip the switch and rely upon it. If you ask people's opinion about nuclear power, you would get a lot of, "Don't know; interesting; tell me more." But the opinion polls do show that, for the people who do have an opinion, nuclear power is significantly more popular than unpopular. When you talk to them about the attributes and some of the alternatives, it is even more popular. People love renewables—wind and solar. The low price of natural gas has been helpful to our economy in many ways, but people are actually very positively predisposed toward nuclear power. The gentleman asked about waste. You have to be able to answer that question. Obviously, safety has to be something that you address, and there have been significant new investments in that. Interestingly enough, the power tends to be most popular in the local communities where it is located, and that is not just because of the jobs and the tax base and all that sort of thing, but those folks—if there were any safety concerns at all—you would think the people most worried about that would be the folks living right next to the plant. But because they are there, they see it operate 24/7; they know about all of the redundant safety features that have been put into place; they tend to be very supportive.

That is a long buildup to saying, in the United States, there are currently a couple of new reactors under construction: one in Georgia and one in South Carolina. In those jurisdictions, it is viewed in very positive terms. We have a mixed system in our country. Some are more regulated, and in those jurisdictions, it is easier for plants to get up and running. In those that are not regulated by the state, the province, which is a fully market-based system, it is a little harder there because the spot price, the price of the moment, tends to drive investment decisions. Nuclear has a long lead time over a 50-year or 60-year period; nuclear is very, very inexpensive and very, very competitive. But if you are asking if you had to amortize all those costs over one, two, three, four years, you cannot do it.

So there are two new plants under construction, and we are really focused now on trying to preserve the existing fleet that we have because there is no way to meet our environmental goals if you start taking off of line. You cannot replace that 20% of our electric generation with renewables fast enough.

It is just not possible. You are going to see—just like Germany—you will see a higher CO2 footprint.

So the answer to your question is there are two new plants going up, and I suspect our State Legislature is a lot like you, here in the province, and will have to come to grips with some of the tough decisions they are going to have to make—higher carbon standards; we cannot use coal so much anymore, and do we want to become just totally dependent on gas? My guess is that you may see more making similar decisions as to those that were made in South Carolina and Georgia, and you may see more new nuclear capacity, but that is a longer-term development. So, two today. My guess is you will probably see a few more tomorrow, but right now the debate in the States is *What do we do about keeping the current nuclear generation capacity that we have because of the adverse consequences if we just allowed it to go away?* Thank you for asking.

Q: I am not a member of the media, but I will identify myself, anyway: Michael from Siemens. The environmental movement—I guess it varies from jurisdiction to jurisdiction—sees nuclear power as part of the solution, and I feel that is the case here. Certainly, everybody in this room probably feels that way, but, in different jurisdictions, the environmental movement sees nuclear power as part of the problem, such as Germany. Can you speak to,

in the United States, how that movement views nuclear power, and if that is at all influencing the lack of take up?

EB: Excellent question. In the organization that I am heading up—I am heading it up with Nuclear Matters, along with Judd Gregg, who is a former Republican Governor from New Hampshire and also a three-term United States senator, a really fine person. The reason I mention that is that we are trying to work in a bipartisan way to address this issue, and we formed an advisory committee. We have representatives of business, of labour, and we also intentionally included some leading environmentalists: Carol Browner, who is a former head of the EPA and a democrat—very, very progressive environmentally—is on the advisory board. Some of the leading climatologists, the leading scientists who have been forecasting the adverse effects of CO2 emissions and global climate change have, through their publications, embraced nuclear because they understand that part of the environment. The part of the environmental community that is interested in practical solutions, things that are legislatively doable or economically doable—such as getting the carbon down and dealing with climate change in a way that is consistent with economic growth and that can be done in a pluralistic society—have embraced nuclear as part of the answer because they know you just cannot get from here to there without it.

There are some in the environmental movement for whom this is a religious issue. They are not entirely fact-based, and it is more difficult if it is a religious question to have a reasonable debate. There are those out there who are just dead opposed, who would say we can do 100% wind; 100% solar, 100% hydro, but that is just not realistic. I would be lying to you if I told you that I thought it were, and so, the people who are actually in the process of not just making speeches and writing articles, but actually making decisions that have to work for your constituents, they know. That element of the environmental community knows that nuclear needs to be part of the answer. In our country, a big chunk are supportive of nuclear. Some—and they are sort of on the religious side of things—are not.

No Donald Trump questions? Boy, am I relieved! I do not know what Donald's opinion on this issue would be anyway. By the way, I was mentioning this to a group of your legislators with whom I met earlier—they kind of got started on the immigration issue in our country and how Donald, along with some of his colleagues who were seeking the nomination of their party, have promised to build a wall on the southern border of the United States separating the United States from Mexico to deal with the immigration issue there.

I recently had someone tell me that if Mr. Trump is elected as president of the United States, he will need to construct a wall separating the United States from Canada as well. I said, "Why?" He said, "Well, the southern wall will be built to keep the Mexicans from coming in; the northern wall will be built to keep the Americans from going out!" Some of them might be alarmed by that prospect. We will see.

Q: **I am an engineer. I will also admit that I do not always understand them. My question is the following: I see from the report that there is no nuclear in Indiana. Have there been attempts to build nuclear, and, if so, what seemed to be the roadblocks, or what seemed to be the reasons for which Indiana does not have nuclear?**

EB: The reason that my state does not have nuclear power—and there was an attempt before my time, and the governor that preceded me, the Regulatory Commission started and then stopped. There were potential cost overruns and that sort of thing. It became politically an issue because of the cost overruns. But, candidly, in my state, I would say 96% or 97% of the power generated in Indiana comes from coal because we have coal in Indiana, and it tends to be high-BTU coal. Unfortunately, it also tends to be high-sulphur coal, so that path of least resistance for my state, for the longest time, has just been to use coal. Now, because of the concern about CO2 and climate change, we, along with others, are having to change our attitude about this, but it is because we had a cheap, plentiful, local supply of coal that really kept any other energy source from being seriously considered. And now the world has changed.

Q: **I am a Georgian Bayer, the sixth Great Lake. I am wondering what the impact may be, as we develop these plants, on the water quality in that area. I am sure you have had committees, and I think there is a Great Lakes international committee that has an agreement that was signed in 1903, I think, or 1905. But this is sort of a generalized question. It is an important element of our province, and we have 20% of the world's fresh water. Damage to that could be significant.**

EB: Of course. As I mentioned, we are quite proud to be a Great Lakes state in Indiana, too. For those of you who have not visited the northern part of my state, the Indiana Dunes National Lakeshore is remarkable. There are 15- and 20-foot high sand dunes in the State of Indiana—right there on the shores of Lake Michigan, and it is a wonderful amenity for the people of my state, so we are very proud to share the Great Lakes with you. To be quite honest, to answer your question, sir, I do not know, but I will give you my best answer with the knowledge that I have. I get questions about safety issues. I get questions about the storage issue, which you asked about previously. In all my travels, I have never had anyone raise a concern about the water quality. I suspect that indicates it is probably not much of—I have never heard that it is an issue. Duncan, you are an expert in this area. If the plants are constructed properly, it should not be an issue at all. I would imagine that most new ones would not be in close proximity to the lakes, anyway.

Q: I will not ask about Donald Trump, but I will ask about the other presidential race involving Hillary Clinton and Bernie Sanders and your party. The polls are showing now, surprisingly, Bernie Sanders is tied in Iowa and New Hampshire with Senator Clinton. How do you see that race unfolding? Will she be able to, finally, get the brass ring, or will we see another disappointment?

EB: Well, that is a great question. First, in the interest of full disclosure, I should tell you that I served as governor with her husband, and I have been close to both former President Clinton, and I sat in the Senate next to Senator Clinton, Hillary, on the Armed Services Committee, and so I am close to both of them. I am supporting her, so you should know that as I answer your question. I think what is going on both—and her campaign has had some challenges with this email controversy and all of that—in my party and in the Republican Party is there is a significant dissatisfaction with the establishment, with politics as usual. I mentioned Congress's job approval rating is 15%. The President's job approval is significantly higher than that, but is in the 40's. That is what we call being under water. He is unpopularity rating is higher than his popularity rating. When asked the question in the last couple of weeks, "Do you trust anyone in politics—forget Mrs. Clinton—but anyone?" Seventy-two per cent said, "No, we don't trust any of them."

There is this, I think, in our country—maybe in Canada, too—for the last ten years, the average wage for the typical family, the average household income in the United States, for a decade, has been stagnant, so it is slightly down. And so there is a lot of pent up economic frustration, anxiety. They look at Washington, and they see the political infighting, all the gridlock. They think, "They are not doing anything to help people like me. Enough already. Throw the bums out; bring in someone new." And in the Republican Party, the three leading candidates in the most recent poll, Donald Trump, the neurosurgeon, Ben Carson and Carly Fiorina, total about 60-some percent of the vote. None of them has served a day in public office—local, provincial or federal, none, zero. You can kind of see that going, so I think she is suffering some from that. There is some in my party who would say that she is insufficiently liberal. Bernie would benefit from that because he is kind of on the most liberal aspect of the Democratic Party spectrum. I think she suffers. Both of those things are helping him to a certain extent and hurting her. Although he is been a lifelong politician, he is not exactly an establishment figure. I think both of those are helping him and hurting her.

That said, my best guess is, at the end of the day, she will be my party's nominee, and that our presidential race will be about 50/50. It will be very close for reasons we can discuss, if you are interested. The reason I feel that way is there is a long history of so-called protest candidates doing very well a year before an election or six or nine months before an election. People are mad. They think, "I'm going to vote for the… I'm going to send them a message! I'm going to send them a message by voting for this person or that person!"

When it gets right down to it, though, a majority of people, not only want to send a message, but understand that electing a president of the United States is a profoundly important act. I think that will ultimately inform their judgment. I think she will be my party's nominee. She may lose Iowa. She may lose. You do not know. They could be close, but I think she has the infrastructure, the staying power, the support and, ultimately, the *experience* that people will look for in a future president of the United States, so that is my best judgment, but, boy, the campaign season to date has unfolded in ways that I never could have predicted. You just never know.

I mean, the Italians elected Silvio Berlusconi several times, so I mean, things can happen. This is not an off-colour joke; I would not do that in public. But with regard to Berlusconi, the joke goes that—and with his background, I do not think he would be elected in the United Stated—they took a poll of Italian women, and they asked, "Have you had relations with Silvio Berlusconi?" And a third of the women in Italy said they were insulted by the question, and said, "No, I'm insulted you would ask." A third said that they had, the other third said, "What? Again?" Sometimes the unexpected can happen, and a Berlusconi-type figure can win, but I suspect, eventually, it will be Mrs. Clinton, and probably a more mainstream, for lack of a better term, Republican.

Well, again, thank you very much. I appreciate your hospitality and look forward to getting to talk to some of you after we are done. Thank you so much.

Note of Appreciation by the Hon. Dalton McGuinty, 24th Premier of Ontario

Distinguished head table guests, ladies and gentlemen—and I am particularly pleased to see so many of my colleagues from the Legislature here today, but, especially, my friend, Bob Chiarelli, who continues to impress with his deft management of a very challenging file, energy; and, coincidentally, one of those biggest challenges is sitting to his immediate left.

I also want to take this opportunity, Duncan, to say to you and all the good folks with whom you partner at Bruce and all those who are connected with the nuclear industry in Ontario, that we could never have achieved the goal that we set for ourselves—which was an ambitious one, Senator—which was to eliminate the use of all coal. We could never have achieved that if Nuclear had not stepped up to the plate for us and done a lot of the heavy lifting, so I am very grateful for that.

Senator, in preparing for my very brief remarks, I went online, and I discovered a few things that we have in common: We were both born in 1955. We both have our father's names. We were both trained as lawyers, but we both heard the call of public service, and, in that regard, we both followed in our fathers' footsteps. I learned something else today that we have in common, and, perhaps, it is a little bit easier to see these things when we are a bit removed from the fray: I really appreciated your words of wisdom cautioning us about the unfortunate decline of politics in the advent of excessive partisanship. There is nothing wrong with a healthy collision of ideas, but if we descend into dismissing the other because they are the other, we are dismissing the other's ideas. That is, indeed, an unfortunate development.

Senator, on behalf of all of us, I want to thank you for being here today. I certainly hope you got the sense that you are here among friends. I want to thank you for reminding us of the invaluable role that nuclear energy plays not only in meeting our energy needs, but also our environmental and economic aspirations. I also want to take this opportunity to thank you for your commitment to public service and for your exemplary service to the good people of Indiana. Thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Dalton, and, by the way, wonderful to have you back at the Empire Club. It has been a long time. Thank you to our guest speaker, a wonderful speech. And Senator, I can honestly tell you, I do not think we have ever had more members of our provincial legislature in one room at the Empire Club meeting. I think that shows how interested everyone is in looking at alternative forms of energy. Thank you so much for being here.

Thank you to our generous sponsors, Bruce Power, the Council of the Great Lakes Region and Provincial Building and Construction Trades Council of Ontario for sponsoring our event today. I would also like to thank the *National Post* as our print media sponsor and Rogers Cable as our television sponsor. Please, follow us, ladies and gentlemen, on Twitter at @Empire_Club, and visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram.

We are looking forward to welcoming you back in the weeks to come. We have got an extraordinary lineup over the fall. On September 22nd—in a week or so—we are going to be looking at women who lead. We have three leading CEOs, female CEOs from Toronto, coming in to look at whether women have actually been able to change the landscape in the corner office over the last ten years or not, or do the same issues persist in different forms? David

Plouffe will be with us the following day, September 23rd. He is one of the founders and key advisors to Uber and also is a former key advisor to President Barack Obama. Rachel Notley will be here on October 2nd to give her first major address outside of Alberta to what is being referred in Alberta now as the "Bay Street Investment Crowd." We are looking forward to welcoming her here at the Empire Club. She will be followed three days later, on October 5th, by our own Premier Kathleen Wynne, who has a number of things that she wants to address. On December 8th, we will have a unique opportunity at the Empire Club to hear the Governor of the Bank of Canada looking at our financial portrait as a country.

Thank you all for your attendance today, ladies and gentlemen. This meeting is now officially adjourned. Enjoy your lunch. Thank you.

The Empire Club Presents

WOMEN WHO LEAD

September 22, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, everyone. From One King Street West Hotel in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. And, for those of you just joining us through either our webcast or our podcast, welcome, to our meeting. Before our distinguished speakers are introduced today, it gives me great pleasure to introduce our head table guests.

HEAD TABLE:

Distinguished Guest Speakers:

Ms. Amber Kanwar, Anchor and Reporter, Business News Network; Director, Empire Club of Canada

Ms. Shelley Martin, President and CEO, Nestlé Canada Inc.

Ms. Andrea Stairs, Managing Director, eBay Canada

Ms. Ilse Treurnicht, CEO, MaRS Discovery District

Guests:

Mr. Thomas Chanzy, Vice-President, Public Affairs, Ontario Trillium Foundation; Director, Empire Club of Canada

Ms. Marty Deacon, Canadian Olympic Committee Executive Board Member; Superintendent, Waterloo Region District School Board

Ms. Sarah McEvoy, Anchor and Reporter, Business News Network

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public

Property; President, Empire Club of Canada
Mr. Bliss A. White, Partner, Blakes
Ms. Jill Lawrie, Partner, Blakes
Ms. Stephanie MacKendrick, Partner, Blakes
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; Past President Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

I would also like to acknowledge the presence in the room today of three of our past presidents: Verity Sylvester, John Campion, and, as I already introduced, Andrea Wood.

Introduction

Almost half a century ago, the Empire Club welcomed to its podium Ellen L. Fairclough, Canada's first woman Cabinet Minister. It was a different time to be sure, and we were still at least a decade away of what would eventually become known as the "Women's Movement." But already on that cold December day in 1957, Minister Fairclough was speaking very plainly about the need to get more women into the executive seats and boardrooms of the nation. I would like to read you a very short quote from that historic speech:

> In spite of the large number of women shareholders in business and finance, the names of relatively few women appear in the list of directors of

> Canadian companies. It is my conviction that this situation will change in the next ten years, but I think that I would be dodging facts if I did not admit that, although legislation has been adopted in most of Canada today which gives equal pay for equal work to men and women, there has as yet not been general acceptance of the principle of equal opportunity.

So that was 50 years ago, and, by the way, Minister Fairclough was invited to speak to the Club on the first Ladies' Day of that season so that women could attend and hear her. They were different times as we have stated, but today we are going to explore if they really were so very different than back then in 1957 for successful, bright, female leaders in Canada as they make their way to the top of their respective organizations.

Now, to help us have this discussion, we are delighted to welcome to the Empire Club four dynamic leaders. In no particular order, let me now introduce our panel members to you today. Andrea Stairs is Canada's Managing Director for eBay. Andrea leads the Canadian Strategy and Operations of one of the world's largest online marketplaces and Canada's second largest ecommerce business. A fully bilingual native of Montréal, Andrea is responsible for cultivating eBay's community of Canadian users from individual users to established brands and retailers.

Next, we are delighted to have with us today Ilse Treurnicht, the CEO of MaRS Discovery District. Treurnicht oversees both the development and operations of the MaRS Centre and its broad suite of entrepreneurship and innovation progress. She is an active member of our country's innovation community and has been ever since graduating from Oxford University which, by the way, she attended as a Rhodes Scholar.

Thirdly, we are fortunate to have with us today, Shelley Martin, the President and CEO of one of our most iconic brands, Nestlé Canada Incorporated. She has executive responsibility for Nestlé in Canada which includes numerous food and beverage divisions and employs approximately 3,600 people in 23 facilities across the country.

Finally, because I said at the outset that we had four remarkable women with us today, we are delighted to have with us a well-known and extremely respected anchor, and I am referring to Amber Kanwar, who is a reporter, of course, with Business News Network. We have all watched Amber reporting on upcoming deals and IPOs slated to hit the market, and she is probably one of the most plugged-in reporters in the country on such diverse issues as the turnaround effort at BlackBerry or on various initiatives by some of the country's pipeline companies.

So, ladies and gentlemen, please, welcome all of our panelists to the podium today, and I will now hand the microphone over to Amber to begin today's discussion.

AK: Good afternoon, everyone. Thank you so much for joining us this lunch hour. This is an issue that is very important to me, and you have proved through your attendance that it is important to you.

Now, I traffic in numbers all day at BNN, and the numbers in this case do not lie. Notwithstanding all the measures that have been made to effect the change of women's position in this world, still women make about 70% of what a man's wage is for the same job, even if they are full-time employees. There is only about 5% representation of female CEOs at Fortune 500 companies, and only 20% of S&P 500 board seats are occupied by women.

Now, those are the statistics but the women up here show that statistics were not their destiny, and that is what we hope to talk about a little bit today, that is, whether or not that is the case that you can control your own destiny through your actions. So I hope that you enjoy the conversation.

Let us start, ladies, with this concept—I mean the elephant in the room is that women have babies and men do not, and that is the issue of this notion of so-called "having it all." Some say women cannot have it all. Some say they can, and some just get very angry at the mention of women having it all. Let us start with you, Andrea. How do you think about this concept of "having it all"?

AS: So I am in the camp of finding this a completely unhelpful concept: A) I do not even know what it means, and then B) striving for it seems to be without purpose, frankly. I also do not think that balance is particularly helpful. I think that we all are managing multiple things simultaneously, and if we happen to hit balance, that is on the way from one extreme to another—sort of passing through.

I like to think more about the idea of managing your career and being very purposeful about where you are putting your efforts and priorities. So the idea of, you know, like, you are driving your car: When do you put your foot on the gas, and when do you take it off? I do not think that you can manage a career and a family and all of your outside interests at full tilt simultaneously for your entire career. I have seen friends burn out, and so it is a question of when are you putting your foot on which pedal and, necessarily, when are you taking your foot off what other pedal?

And so, you know, I have got a four-year-old and two-year-old, and so there is a certain amount of work there, and then there is work at work, and then there is work with my spouse, and so I think that that is an ongoing challenge, and so "having it all," I think, really, is not very helpful.

AK: Shelley, where do you stand in this debate because when you are—to use the car metaphor—trying to strive for a leadership and you are trying to go further than other people while perhaps managing a family life?

SM: I would agree with Andrea, and I think that everyone has their own definition of balance. I think that the balance conversation ends up in such a way that there is some magic math notion that everyone has the same, and, in my experience, balance changes by the day. Your work/life balance, if we want to call that, can change depending on what is going on with you or with your family. So what I always tell new parents coming back to work maybe after being off for maternity or paternity leave is do not stress about it, and you will never be in someone else's balance. But, you need to be clear on what your priorities are in your life, what your priorities are for that day and have that drive, whatever it is, whether that is spending time at work or not, spending time at home—but just be true to yourself on what those priorities are.

AK: Do you travel a lot? How do you manage this notion of balance?

IT: To echo Andrea's point, I take a somewhat philosophical view of the inputs into this notion of 'balance', and I think for most people, at any moment in time, something is seriously out of whack, and so you have to make peace with that right up front, and then, perhaps, it is helpful to think about this notion of balancing career interests, family interests, community interests, personal interests in a sort of a long sinus wave over your lifetime, where in certain periods, children will take priority and in other periods—but there will be periods where some of those pressures will be less, so do not think that you have to give up on them. Just park them for a while.

AK: I pick up on that notion of 'crisis management'. That is what every leader has at their essence, you know. That is why they are a leader because they can do it better than somebody who is not leading the team.

What skills do you think are important when you are dealing with a crisis? How do you approach it, Ilse, when you see something that is happening, not just because you are a woman but, in fact, because you are a leader? Something must be managed. How do you approach it?

IT: I think as we accumulate more experiences and take on more responsibilities one of the things that you certainly build competency in is responding to uncertainty or navigating uncertainty. I think that is one of the very key attributes of an increasingly complex working world, whether you are a leader in it or not. And I think being in the moment incredibly focused on the data coming in but really keeping an eye on what is important for the long haul is the challenge. It is to not be overwhelmed by the demand and the moment, but keep focused on what needs to happen to get through the crisis in a way that is to the benefit of the organization in the long run.

AK: I imagine that day-to-day none of you think, "I'm a woman, and this is what I'm going to do today." But as a leader, are you attuned to the fact that other people might be thinking that when you are trying to manage day-to-day or manage through a crisis? Shelley?

SM: I do not think that at all. I hope not, honestly, because I think it is just being about a leader. And I think that if we were to carry that burden that would add different complexity, and I prefer to think that we are working in a world now where that is not so obvious.

AS: Probably the only time I think about it is when I am trying to put together a portfolio of styles for something. At eBay, our Canadian office here in Toronto—we have a head office in San Jose—we often need to be kind of advocating on Canada's behalf, and so it is about thinking about a portfolio of styles and a way of attacking a problem. It is, therefore, less about male/female and more about "What kind of styles can I bring?" and about knowing what my style is and whether I can complement that with somebody else who brings a little bit of a different style. Or should I be moderating my style, my sort of home style a little bit into something that would be more effective in the situation? So there are—without it being about men and women—more female styles than more male styles, just for lack of better kind of phraseology. And I think sometimes I think about it that way in terms of creating a good mix, but, yes, I certainly do not go to work thinking, “I’m a woman.”

AK: Well, if you went to work in the ‘50s people certainly thought, “Oh, you’re a woman, and you are being a bad one because you are not at home with your children.” And, of course, we have come a long way since then.

I am wondering if through the lens of your own careers, you have seen that shift in attitude towards women in the workplace, and do you think that that has maybe created a bit of a tailwind for you?

AS: I think I had an advantage because I grew up with a mom who was an executive, and she was a single mom. I got to see that she would come home at the end of her day and sort of need to tell somebody about what happened at work. And her 16-year-old daughter happened to be the audience, and so I kind of got a sense of what work was like and sort of the granular progression at work. It was not sort of, like, you know, this big thing and then that big thing. I saw the pieces in between, and so I think that gave me a huge advantage because I sort of had a sense of how I could be in business and did not have to sort of think about some of the things that I think some of the women who joined my team occasionally are still thinking about: Is business right for me? And what does this look like? They might and be a little bit more uncertain about what that path might be. I do not know if that is answering your question.

AK: It does, and I will toss it over to Ilse because you are in the sciences, which are, typically, very male-dominated, but you have been there for a long time. How have the attitudes changed?

IT: You know, I have to say it is a bit sobering when you think back where we were 50 years ago and the fact that we are even having this conversation today and how little progress we have really made with kind of this incremental approach program to boards or senior leadership positions. So, perhaps, the transformation in male-dominated fields, like science and technology or venture capital, where I spent some time, will come as workplaces are entering a period of extraordinary transformation through technology, through globalization, through demographics, through changing customer demands, changing business models. And so, many of the traditional workplaces, where I think we have stalled will in fact have to undergo very significant change, and, you know, that is true of financial services, legal services, many, many other businesses. And maybe that is the opportunity for disruption and where we might begin to finally design workplaces around the reality that women have babies, which, if we can put a man on the moon, I do not think can be that hard.

AK: Just try to have a man have a baby. Then we will never hear the end of it.

At Nestlé you are very consumer-focused, very oriented. That was seen as kind of one of the original industries that woke up to the fact that, hey, women are the decision-makers in the households. Have you seen that evolution?

SM: I would say in my time at Nestlé in Canada, I have seen the evolution. Shortly after I joined, we had our first female executive appointed or hired actually, and she was actually hired and was expecting at the time so, you know, it was sort of big on a couple of different fronts.

But I would say that I have never personally had that, and so I had the pleasure of working with the CEO who had a 50/50 balance on his executive team, and that was 20 years ago. That was a purposeful thing, and that remains as we go forward, so in this country, I saw from quick progression through there, and I have daughters that are the famous millennials who do not get what the big deal is about feminism, and so I am hoping that that will be some of the transition because, as the millennials come into more leadership, I think that the female millennials maybe do not understand or do not have the history or they are just growing up, and that is a foreign concept so, therefore, they maybe just will not put up with women's oppression, or they will be expecting no difference with respect to gender.

AK: But as Ilse mentioned, though we have made progress, the numbers are so staggering and we are nowhere near equality. So people want to be solutions-oriented and focus on how to get that. They talk about quotas; they talk about mandating representation—not only in government but, at the board level, at the management level, and that can be quite controversial. I am wondering for you three as leaders, where do you sit on that debate? Andrea?

AS: I am not sure about quotas, but I am a very data-oriented, fact-based kind of person. That is how I make decisions and, you know, all of us in this room know that what you measure gets attention and changes. So I think things like comply or explain on the Canadian boards or forcing companies to declare the splits of both men and women but also visible minorities within their full employee base and within their executive or directors and above kind of level, I think, is incredibly helpful. I think we need to just continue to shine a spotlight on the numbers.

I was with a Silicon Valley company in the last couple of years, and there has been a lot of attention on, particularly, visible minorities and women, and there is a lot of public pressure and media pressure to get those companies to declare where they are at. It is very uncomfortable for those companies, and I think that is great. I think measuring things and getting the data and putting it out there is incredibly impactful.

AK: Ilse, you are nodding.

IT: Yes, I would say absolutely. And I think it is up to women to demand that those numbers be out there and to speak in our public voices and our votes and any way we can. This is an expectation now that we have for women in the workforce but particularly for our daughters going forward.

AS: And I think this also applies in our less public forum, so whether it is sort of pointing out to a male colleague that their management team is very male. I think that is our job, and it is a very uncomfortable conversation, and you do not want to accuse someone of sort of overtly making decisions that are sort of anti-woman or anti-anything else, but you do need to point it out. I think that is on us to actually do that and to have the conversations with your management teams and sort of say, “Was this a balanced slate for that role that you have got? That job opening?” It does not need to be massively confrontational. A single question just kind of pops something that might be unconscious up to the conscious level.

SM: I have a diverting point of view from that standpoint.

While I think that it is important that we attract and acknowledge the numbers, I think, within an organization, working to promote and from a manager level to have quotas and to reinforce that takes away from the benefits because then if a woman gets the job, it questions her ability. One might say, "Oh, well, we needed to 50%, so that is why you got the job as opposed to you were capable." So I think, with respect to senior leadership, it is that balance of being aware, as Andrea said, but not forcing that through the organization because I think that will diminish the work of great people progressing as it goes forward. Maybe when it comes to external on boards there might be a need to break down some barriers. There might need to be more measures there, and that may be as much about recruiting women. I am not sure whether some of those numbers are because women are not asking or putting themselves to be selected as opposed to not being chosen. And I think we just need to be clear on that as we go forward as well.

AK: So, if the onus falls on the individual, whether man or woman, to get out front for management so that you can be selected or at least be noticed for the work that you are doing, how do you do that? How did you go about getting out front or go about, as Sheryl Sandburg likes to say, "leanin in"?

AS: I was at a dinner several years ago, and someone mentioned a stat that actually ends up coming from Catalyst about the fact that I think the most impactful thing to a woman's career of all of the different that you can do is actually to have a male sponsor and that sort of went into my head and went "Click." I thought that if that is the most impactful thing, let us go and do that, and I did not restrict myself to men, but I definitely put a plan together and very actively pursued sponsorship which is different than, in my case, very different than mentorship. With the sponsors that I have, we have a very direct conversation about, "This is where I want to go. Do you think I'm qualified? If so, will you advocate on my behalf in whatever closed-door meetings that decision will be made in? And what do you need from me? Do you need talking points? Do you need data? Do you need content to advocate on my behalf?" And so it is a very transactional conversation.

The first time I did it I was terrified. But it turns out that they have all done it before with their bosses, and so everyone is sort of all on the same page. I think that is one way where you can take the reins of your own career and be your own advocate but also take advantage of other people's power and use it to your own advantage.

AK: No wonder you work at eBay: You think in transactions. What about you? Can you think of different ways, Shelley, about how you got out front?

SM: It was nothing purposeful. Just being the best I can be every day in every situation, so I cannot honestly say that I went into a room saying, "I'm going to take advantage of this room, any different than any other thing." It was just everyday being, as I said, the best I could be as it went forward. And, yes, I had sponsors, but they would be sponsors sort of organically through an organization, as opposed to direct; although I have heard many people that have done as Andrea did, but in our culture that is not so much the case, and it is about showing great work all the time.

AK: Ilse?

IT: I cannot claim a grand plan. You know, I think going back to this conversation, I think what we have to do also is that sponsorship or that advocacy for women leaders needs to get beyond just "It's a nice thing to do because we don't have enough women." I think we have to bring the debate back to the fact that we are in a global talent war. Canada cannot win with half our team on the field, and this is about betting the best people working on the most important projects and getting beyond also very fixed views of what, you know, the perfect leadership model is. If business as usual is not working, it is because leadership as usual is not working, and it is time for us to really open up our minds to new approaches, not just from women but from a diverse range of people with different experiences so that we can tackle some of these complex challenges in a different way. That might open up more opportunity for women, rather than be brought out of the cheap seats as a bit of a society's favour to women.

AS: There are studies, and the data shows that far from making teams less cohesive, a diversity actually makes them more cohesive, and there is more of a sense of togetherness and belongingness when you recognize people's individuality which you would not think. That then drives innovation as you would totally expect. And innovation, you know, either capital "I" or little "I" is so essential for us now such that Canada's at that point where you sort of think, "How could you not want this? How could you not take advantage of this advantage that is sort of sitting there and can be grasped?"

SM: And I think that the technology is going to challenge, as you said, the way leaders are in business going forward. Because of the flexible work hours, the flexible work locations and spaces, you do not need to come in an office with a door, nine to five, partly because we are in a global world and partly because technology enables work in different ways to put teams together from around the world.

Taking advantage of that, I think, is going to be maybe a disruptor from a leadership standpoint. But it is going to help all the young leaders to evolve in a different way. As the older leaders, we need to be open to that adjustment and change. We need to be open to those changes. Let them happen and explore them for ourselves as well as for younger people coming through.

AK: Let us talk about one of the oldest trends in business—and let us face it: Cliques do not go away. When you are in high school; when you get into the job network, there is the "old boy's network," which even in today's society definitely exists. I think about banking and I see, you know, trips to Las Vegas for a closing dinner for three days with eight guys. They are not going to the spa for those three days, or you have got road shows and things like that. That tends to be going to the golf course. Women can pick up golf, absolutely, but that tends to be something that exists within most industries. So how do you crack that?

AS: I think it does not exist in my industry, and so maybe you self-select industries where you—and this is a horrible thing to say—you have a bit of an easier time. I was in finance, and when I was in finance, in corporate finance, I did not find that—I mean it was obviously male-dominated—it was a particular disadvantage. I do not know.

SM: It is not big in our industry either, and that is another thing that has changed. With respect to the golf tournaments through the summer and that sort of stuff, there are a few of those, but business is not done on the golf course as it used to be, and I think for it to change—it is not my life for it to change. It is going to be for senior people to say, "No, we don't need to do that. We're going to do something else that is more inclusive" because, to me, doing that is not just about a male thing. That is about a family change. Now, people want to stay home with their families and do that as opposed to do a lot of corporate stuff as well, and so I think that notion of being respectful to the team members and team involved and challenging that or enabling a challenging conversation to try something different is going to be helpful.

AK: One of the consequences of opening up more management spots, leadership spots, for women is that there are still fewer of them, of spots. I have seen that in my own industry where what that creates is actually a more intense, competitive environment among women than it does among men, and so you do not get this sense of women helping each other to raise each other up as much as it might seem natural for men. Now, that is just my experience in the media, but I am wondering whether you see that playing out as well. And how as an employee who has a leadership goal do you combat that? Ilse, let us start with you.

IT: You know, I absolutely believe that for women to succeed, women have to support each other, and I have been extraordinarily fortunate in terms of meeting, working with, becoming friends with extraordinary women all my life. I have no idea how my life would function without them, so I am incredibly intolerant to that notion, and I think there is a great communion between women all over the world that is quite fundamental, I think, to the health of our society. We need to find every possible way to strengthen those networks rather than undermine them, and, in industries where that is not the case, I would absolutely say we have to—even if the numbers are small—to find every way possible to get rid of that dynamic because it is extremely unhelpful on so many levels. I think it starts with the women leaders in that organization actually.

AS: I think that the whole idea that there is a zero sum game is so not helpful. It is not a zero sum game. We are all trying to get more out of less and get more out of whatever resources they happen to be, whether they are human or otherwise. It comes down to the leadership of companies to banish that concept that we are all competing, that we are all in competition with each other. You are competing against your competitors. You are trying to get the best teams possible in order to do that. It accrues to everyone's benefit if that team is an exceptional team. Everyone gets recognized. I think that is the kind of culture that you need to create and exemplify. I think they call it sort of the "queen bee syndrome," and, actually, I have never seen it. To your point, I think that there is an amazing amount of support amongst women and, you know, there is also an amazing amount of support from men. It is not us versus them. In my career, the people who have moved me forward have been men who have recognized whatever they thought was special in me and have kind of, you know, made sure that I had opportunities and so, you know, I think that setting this up as kind of a competition is something that we should actually avoid and discourage because I do not actually think it is the case.

AK: So as a leader, Shelley, how do you that? How do you ensure that that is *not* what happens in your organization?

SM: By being gender-neutral on any kind of opportunities or promotions that are available. So it is for the skills and building the right team, and it has not been my experience and I do not think that if you talk within the organization that gender is on anyone's mind, in terms of where they stand and what their competitive set is. I just talk to them, like, "You need to have the greatest tools in your toolbox," and gender is never part of that. It is about your experiences and your skills.

AK: One of the trailblazers of the day—and there are so many to choose from—is Marissa Mayer. I think about in my world how much people obsess over the success that Marrisa Mayer is having, even though, you know, she is doing it while pregnant. They are just gobsmacked that the brain continues to function while you carry children, and that strikes me as somebody that young people can really latch on to in terms of role models.

I imagine that each of you had somebody that you were latching on to in terms of what was driving you forward and an example of what you could be. Maybe we will start with you, Andrea. Just who was that person for you? What was it about them that made you kind of strive for what they had?

AS: My mom is sitting right over there, and she very much was my role model, probably very, very early. I was in high school. I was twelve, and my friends would be sitting on the locker room floor. I remember talking about what they wanted to do when they grew up, and no one would ever ask me, and it drove me nuts because I had a really prepared answer, and they would never ask me. So, finally, I said, "Why aren't you guys asking me what I want to do when I grow up?" And they were, like, "Ah, it's so boring. You just want to go into business." So I kind of knew very early, and it was very much seeing someone very up close and seeing how they were managing their career.

I remember when my mom became Vice President. She came into the house and walked up the stairs and said, “Kids, I got it!” And we were so enthusiastic because we had been part of the team sort of behind the scenes trying to get her there. So, again, I think that example of seeing the granularity and seeing how it comes together bit by bit and taking a very long view of your career, all came from watching my mom’s career, and so that has been very formative for me.

SM: I just want to make one comment that is a bit of a watch out I think. We have all the celebrity female CEOs that a week later they are back at work, and I am not sure that that is the right role model. I worry that that is putting this sort of expectation on people: “Well, she came back. Why are you taking your year off? And I think we just have to be careful for that, again, in terms of being respectful of what people’s priorities are and being careful about setting a new expectation that if you are not in the office and managing your child the day after you have delivered, then you are not a great mom, and you are not committed to the business. So we need to be careful on that.

Concerning mentors, there have been many people that have been in my life and that have shown me the way, but it would be my first boss at Nestlé, who was a man. It was not a woman, and that was just about a leadership style of being open and respectful to everybody and their ideas and being collaborative but making a quick decision and taking accountability on behalf of the team to make things happen and follow it up. It was a leadership style that involved stopping and listening and being focused on whatever is talked about and then moving forward from that—so basic leadership stuff, but it sticks with me every day.

IT: I grew up in anti-Apartheid South Africa, so I always had enormous admiration for the women of all backgrounds who kind of kept the healthcare system and the education system operating through that period and even today. I love women like Mary Robinson, who led a country and is now looking after what is happening to the world's most vulnerable people through climate change. Those women I think are iconic.

The most remarkable person I have ever worked with is certainly John Evans, who was the founder of MaRS, and I had the privilege of working pretty closely with him for a number of years. He was an extraordinary combination of a true visionary person with very ambitious ideas for Canada and someone with a really practical streak in terms of bringing those ideas into reality. He was an extraordinary, accomplished person who had absolutely no interest in the limelight. But the most remarkable thing about him was in his one-to-one interactions with people that were so kind and so generous and so effortlessly brought out the best in them. And I think when you look at that combination of factors, there is no question it was that fabric of incredibly positive, small, human interactions that allowed him to move mountains, and I have never seen anything like that. It was truly, truly amazing.

AK: A lot of our discussions have focused around getting to the role that you want, having the level of status that your hard work dictates that you should have. But at the end of the day, you got to get paid, and this is where women generally do not get paid as much. Some of it comes down to this notion that women do not ask. It comes down to the negotiation process and pushing for more because they are ready to give you that title and they are ready to give you more work, but how much are they willing to pay you for that? So shed some insight into negotiation skills that every upcoming leader needs to know, needs to have—skills that have worked out for you when you have been negotiating, not only for your rightful place, but your rightful pay cheque.

AS: Obviously, you need to ask. I think this is where having a really strong group of sponsors actually takes a lot of the weight off you because I think if you can enlist people into your corner, that actually helps you to make sure that you are getting the role but you are getting it at the right threshold of whatever. It is very difficult to go into a manager's office and say, "Hey, you know, the other guy down the hall seems to be making more than me." Nobody really knows, and then there are all these explanations. I do not have a really great solve for that. Obviously, you do need to ask. You do need to figure out, do some research and figure out what it is that you should be asking for.

I have sort of an informal personal board of directors. Essentially, they are friends and former colleagues, people whom I respect and who do not have a personal stake in my career but who care deeply about it. And I think that sort of a conversation that I would have with one or two of them would be, "What is sort of market? What should I be asking for, and does this seem about right?" But I think conversations about money are particularly difficult to have. I was just listening to a presentation by someone from Catalyst who found they have done a massive, global study, and they actually found that the average starting salary for women coming out of university and like vs. like for jobs around the world has a $4,000 gap, and in Canada it is actually an $8,000 gap. And then you layer on that the fact that women tend to do more mentoring and less sponsoring and men the inverse means that the women's curve kind of does this while the men's curve does that just because of the effectiveness of the sponsorship. So I think that sort of speaks to the fact that there is more than one issue here. There are multiple issues.

AK: You brought up an interesting point when you know somebody that does your job, is a man, and makes more than you. How do you bring that up to your boss?

AS: I do not know. I think you have to delicately. Whatever it is, porcupine—how do you kiss a porcupine? Delicately. You bring it up delicately.

AK: But you bring it up?

AS: Well, I think you do. I do not know who wins if you do not. You certainly do not. It is one of those things where you can ask, "What is the worst that can happen?" Your manager will say, "No, you're completely wrong." Okay. Well, if that is the worst that can happen, it is an uncomfortable conversation, but at least you have put him on notice or her on notice that you are watching, so, if anything, people kind of know that you are paying attention.

AK: How do you negotiate?

SM: I do not have a lot to say to add to that. So being clear and doing your research just to have an understanding of what is going on. And what is the worst that can happen? They say no. So you have to go on understanding, but you have to have your facts because the challenging thing is it is not just about the level. It is about the skills and competency and how well someone is doing. And that is where it gets grey.

AS: And performance and experience.

SM: Exactly. So, you know, that is where you have to, again, do the research because it is not just about title, and sometimes those are honest conversations, good or bad: "Yes, well, that person might be better than me," but to do that and check yourself on that first.

AS: And I do not think you could have an expectation of having the person say, "Oh, you're right." In no scenario did that conversation end with, "You know what? And I'm giving you a raise in this room." This is a multi-phase conversation, and you sort of have to feel your way through, but I think you have to think, "What's the worst that can happen, and what's a realistic outcome?" The realistic outcome is they sort of say something noncommittal and leave the room after that meeting without making any comment, any commitment at all.

SM: But they are thinking about it.

AS: But they are thinking about it, and that is the victory. And you have to think about this as a long game, not a one-off.

AK: It sounds like what they are saying is you have to go in; you have to be prepared to ask, and if you get kind of a wavering answer, that is not necessarily the end of it. Be prepared for more follow-up conversations?

IT: Yes, I would say. Certainly, I think these kind of structural barriers or differentials are probably more prevalent in large organizations where there are multiple people at certain levels. Most of the roles I have had have been in sort of more start-up type organizations, and, to be honest, I have been extremely unfocused on money all my life, and it usually works out. If you pick a great organization with great people without a lot of structure, those things tend to kind of find a place that works.

AK: If you leave the workforce for any period of time, do you essentially kiss your leadership opportunities goodbye? That is at the root of what many people are worried about—it is why somebody comes back from maternity leave after a week or does not take the full time because they are afraid of disappearing.

SM: I understand the fear on that. I think that you have got to choose the company that is going to be respectful of the individual and of the family, and I think now it is not just about the moms. It is about the dads as well, and we have just announced that we are putting in longer paternity care. You have got the legal opportunities from a paternity care standpoint, but a lot of young dads are wanting to take the time; they want to raise the children, and they want to go to the Christmas concert or go to the doctor's appointment. And I think that it is making sure that there is balance on that. For the first guys that are taking paternity leave, there is a lot of pressure and a lot of stigma that goes with that, too. So having a company where everybody supports those decisions to go forward is important. And supporting young fathers supports young mothers at the same time because he is wanting to be involved and maybe he is doing the doctor's appointment because she cannot because of her work. And so, to me, I do not delineate between; it is supporting young parents because that supports both genders and their leadership challenges as they go forward.

AK: Andrea, you have young children, two and four, I believe. Were you afraid of disappearing because you are Managing Director of eBay Canada? Were you afraid to take time?

AS: No. I think in Canada—at least among my generation and younger—the maternity leave, having a year, up to you how much of that year you are going to take, feels pretty baked in now. I think paternity leave is definitely something that we need to work on and, to your point, we need to celebrate the people who take it and make very positive examples of them as opposed to kind of making them seem like exceptions. I think the harder question is if you are going to take several years off. I think businesses are pretty much set up now, particularly in Canada, to deal with a one-year maternity leave, and I did not take the whole year, but I certainly took a lot more than the norm, and I did not really know how much I was taking when I went off, right? Maybe I would be back in six months, but I was back in eight months. But I think the decision to take multiple years off to stay home until your kids are four and five, is still one, to be frank, that we would probably still grapple with. And I do not think that, in that situation, you have kissed leadership bye-bye, but I do think that it is a significantly bigger challenge to come back from that than to come back from maternity leave where the business has sorted that out more.

IT: I would certainly say one-year maternity leaves are common now and were not common when my kids were young, for sure. I almost see a different emergence now that I am quite interested among the women that I know. I think the reality is still that many workplaces are not really set up for women to shine in that period when they have a lot on their minds. Their kids are young. Stuff happens with kids, but there is also no question that as kids leave home, there is a lot of energy and capacity that emerges for women, and I see amazing women doing amazing things in their 70s, 80s, 90s, and I wonder if our workplaces will shift to take advantage of that sort of unleashed energy from these amazing women. I hope we do because it will be such a loss if we do not. They are amazing.

AK: You said though that workplaces are not necessarily well-equipped to be there during the times that they are absent. What specific strategies do you think might help to allay an employee's concern that they are going to disappear, thus encouraging them to come back to work maybe before they are ready? What can leaders do?

IT: I think it depends very much on the industry. The areas where it is tough is if you are an academic professor, and you have to earn tenure, and, in your 30s, you have to publish, like, crazy to hit the bar, to move forward. This is the time when consultants have to travel. There are a lot of structural stuff built into many workplaces that make it difficult for women to just deal with the practicalities—particularly, if you have two parents on a travel track. That is a really difficult one, and I think the more we as leaders can design flexibility that is just real and acknowledge people for who they are and what they bring to the workplace and give them room to deal with the rest of their life, they will reward us by bringing their best selves to work every day, and the productivity gains will make up way more than any of our rules can structure to somehow the employer's benefit.

AK: Shelley, what do you do to kind ensure that flexibility or maintain contact with people that are gone to make them feel like they are still part of the organization?

SM: Well, people can choose to engage as they like while they are off. But I think the issue is pushing on the flexibility and enabling that, whether it is work from home or whether we have a flex program that people can take time through the week, any time, for whatever reason they want. I think that we are exploring different office and times to enable people to do that. So that allows people different flexibility. We do not expect people to be engaged while they are off. If they have chosen to be off, then you need to be off for whatever that reason is. How they would want to stay engaged, that is up to them, but we encourage that time be dedicated to your family that you need to support for yourself and to that family.

AK: You mentioned you came back earlier, but did you stay engaged during your mat leave?

AS: Yes, I stayed engaged. The first three months is a fog, so it was not engaged during the first three months, but after that, I was kind of, you know, engaged and I would bring my son to work and, you know, inevitably someone would want to take him from me and sort of play with him, and I would meet with sort of my team and talk about issues but that was very much my choice. I felt absolutely no pressure. In fact, I had managers sort of saying, "Are you sure? Are you sure?" I am the kind of person who does not like stuff happening in such a way that I do not know what is going on. On my team right now, we have got a number of women who have very young families, and so, working with them, we literally had a conversation this morning about how one woman's husband's schedule changed, and daycare pick up and drop off have to be juggled. I was, like, "Oh, yeah." The nice thing about the internet is it is always on, and so if she needs to take two hours off in the middle of her day in order to be able manage this and come back in the evening, I do not care. I honestly do not, and the purpose of this conversation was making sure that she knew that it was okay for her to sort of have that as part of her consideration set and that I was supportive of that. Whether or not she takes me up on it, I think it is important as leaders that we do convey that these are entirely valid options, and we will be supportive of that and kind of give the choice back to the employee as a team member to make the decision with their spouse or with their family, whoever that makes the most sense for them. And I think that is when you get very committed employees. There is nothing that drives loyalty more than that, and people are at their foundation good and want to do what is right for the company at which they are employed. If they feel loyal, that is where you get great team members.

AK: Ladies, fascinating discussion. We have time for a Q&A.

Q: Hi. Thank you. You touched on quotas a little bit, and I think one of the challenges with quotas is that in some industries, we are still not even having the volume of women entering that industry to discuss quotas. I was at a great social media and tech roundtable where one woman said that she was having her five-year-old daughter engage in a robotics course. And I love that idea because it was not just about ballet and gymnastics. It was also about robotics. So how are you, as leaders in your industries, encouraging very young women or even children to consider careers outside of what the norm may have been?

AS: In my industry, what we find is that you do not need to tell high school students that a career in tech is cool or that it is available. I think one of the challenges that high school students have is "How do I get from where I'm at to that career? I know that it is a good career, but how do I get there?" And so we are engaged in a number of activities, one called "Career Mash," where we actually go in, and we talk to high school students and talk about our own backgrounds, and so mine is an undergrad in medieval history and a law degree, an MBA. I have on paper no qualifications to be running eBay Canada. And our head of product, which the head of the technical side of the business, has a degree in film.

So I think we do need to encourage people to take those established career paths, and, certainly, academia has a very established sort of step one, step two, step three. But when you actually look around, and you dig into who are running these companies, you have got a crazy set of backgrounds, and so I think it is actually a disservice to say that everyone has to come through this single pipe into this area.

That being said, getting women into the STEM industries and STEM education programs is definitely a huge focus, and I think actually we are moving the wrong way which is really disappointing. Figuring out ways to engage women and sort of demystify it and make it more practical, more relevant to what their personal affinities are is definitely something that I am engaged in. Again, it is all of these issues—it is not one. There is no silver bullet to this, but I do think part of it is just sort of demystifying who is actually leading and how they got there, and so that means there is a lot of opportunity.

AK: Ilse? Sciences notoriously have struggled to attract female enrollment.

IT: I think a lot of this is about exactly as you put it, you know, showing that there are multiple paths and, at the same time, conveying the excitement of science technology careers which often is missing. We are doing a lot of stuff now to bring entrepreneurship education into schools. We had the whole summer full of coding camps for girls and so on. So I think opening up many of those doors but then telling the stories of people taking multiple paths to get to these interesting integrated career paths I think is a big part of opening up the opportunities for people. I think it is very important to celebrate the women at the various stages along the way, so young girls can see themselves in those next generation leaders.

One of the things happened at MaRS, which I think is just a fascinating example: We run a very introductory program called "Entrepreneurship 101," and it is open to students or new Canadians or people in career transition. It is free. It is open access, and we started to integrate the concept of social innovation into this predominately tech-based innovation program. We did not dumb down the technology content or the business content one bit, and within one year, it went to 50/50 male-female. So the minute you could bring a values-based business approach, the women show up. So there are lots of ways, I think, beyond just opening certain gates that we can engage women in a new generation of business.

SM: I think that all of us in business need to be reaching out to young women and to young men. Youth unemployment is a big issue in this country as it is around the world, and so we were launching a youth initiative to go out to talk about what we are doing. But I think having students with mentorships into companies and having some support through on-campus activities from the companies is important. Half of my executive team is female, so to be able to go out and have those conversations to show that there are multiple ways and that you are not committed if you sign up to whatever engineering in year one and that there is not only one path is important. And there are lots of different ways, and having those real conversations with people and having that intimate chance to have those are really going to help.

AK: All right. Well, it has been a fascinating discussion. Ilse, Shelley, Andrea, thank you so much for sharing your insights with us.

Note of Appreciation by Andrea Wood, Past President, Empire Club of Canada

What an incredible session and an inspiring group of leaders. Thank you. In listening to our speakers today, I was struck by the differences between each of our speakers and their personal styles, and I was struck by the different approaches they have each taken to succeeding in the workplace. There is still one thing that I think unites them all: If there is one thing that we learned today it is that there is no one path to success, but there are some personal characteristics that I think define strong leaders and these women today demonstrated them in spades. Those characteristics are grit, determination, drive, commitment to excellence, clarity of purpose, having a great mom and great role models.

On behalf of the Empire Club and those in attendance today, I want to thank you each for taking so much time to share your stories and your perspectives with us today. Your stories were inspiring and heartwarming, and, hopefully, they will contribute to us winning the global talent role that Ilse has described. So thank you very much, ladies. You have proven to us today that you refused to have statistics be your destiny, and we are very pleased to have learned from your example. So thank very much on behalf of everyone here for helping us to better understand how to kiss a porcupine.

Concluding Remarks by Dr. Gordon McIvor, President, Empire Club of Canada

Thank you, Andrea, and thank you, ladies. I just wanted to add my own thanks, and, listening to you today, I actually recalled such a poignant memory. My dad used to be a CEO of a company. Once he told me that the most difficult moment—or one of the most difficult moments—he remembered in his career was the first board meeting where they had a female board director show up, and no one knew what to say. They were actually paralyzed with fear, and it is hard to believe today. This lady, by the way, was interviewed on television years later, and she always used to wear a suit and tie—not that there is anything wrong with wearing a suit and tie, but someone asked her, "Why do you always wear a suit and tie?" And she looked at them as though they were really dumb and said, "It was too desexualize myself. It was to make people forget I was a woman in the boardroom." And I thought, "Wow, that is pretty amazing when you have to disguise yourself in the boardroom," so, as I listening to you today, you brought a lot of things home that a lot of things are still problems, but there is a lot of progress that is being made as well, and I want to thank you very much for taking the time to join the Empire Club today. Wonderful session. Thank you.

Thank you to our very generous sponsors. I want to thank Blake, Cassels & Graydon, and Edelmen as well for sponsoring today's lunch. We could not do it without you. I would also like to thank Narrative PR who was the original group that came to us with the concept of doing a lunch on this subject. We are very thankful to you. I want to thank the *National Post* as our print media sponsor and also Mediaevents.ca for live webcasting today's event. Follow us on Twitter at @Empire_Club and, please, visit us on line at empireclub.org. You can also follow us on Facebook, Twitter, LinkedIn, and Instagram.

Please, join us again soon. We have a remarkable fall lined up. Starting tomorrow, we have David Plouffe, a name which will probably be familiar to anybody that is a political junkie in the room. Plouffe is largely credited with being the primary architect behind Barak Obama's two wins in Washington, but he also is today the Chief Advisor to Uber, so he will be here to talk about how to you be the world's largest transportation company without owning an asset. Not a bad record. We also have Rachel Notley showing up next week. She will give her first major speech outside of Alberta on what is happening with the crisis in the oilpatch. Three days after that, on October 5th, our own premier will be here to talk about women that lead. We have got a lot showing up here in the next season, and, in December, we have the Governor of the Bank of Canada coming to talk about Canada's economic situation. We hope you will join us again during this fall season, and, thank you very much, for coming today. Ladies and gentlemen, this meeting is now officially adjourned. Thank you.

The Empire Club Presents

DAVID PLOUFFE, CHIEF ADVISOR, UBER & FORMER SENIOR ADVISOR AND CAMPAIGN MANAGER FOR PRESIDENT OBAMA

September 23, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. For those of you just joining us through either our webcast or our podcast, welcome, to the meeting, and we are very pleased to have a very distinguished speaker with us today. But, before we get to him, let me introduce you to our head table.

HEAD TABLE:

Distinguished Guest Speaker:

Mr. David Plouffe, Chief Advisor, Uber; Former Senior Advisor and Campaign Manager for President Barak Obama

Guests:

Mr. Ian Black, General Manager, Uber Canada

Mr. Marc-André Blanchard, Chair and Chief Executive Officer, McCarthy Tétrault

Mr. Paul Fogolin, Director, Government Relations and Communications, Ontario Retirement Communities Association
Mr. Matthew Kelleher, Partner, McCarthy Tétrault
Mr. Andrew Macdonald, Regional General Manager, Uber Central
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Mr. Tim Smitheman, Manager, Government and Public Relations, Samsung Renewable Energy Inc.

I would also like to acknowledge the presence in our live audience today of special guests, MPP Tim Hudak. Welcome. MPP Michael Harris. Welcome, Michael. And Past President Noble Chummar. Noble, nice to have you with us.

Introduction

Ladies and gentlemen, there are so many subjects that our guest today would have been comfortable speaking on which is perhaps why he is invited regularly to contribute to some of the world's largest media outlets, such as ABC News and Bloomberg Television. His extensive knowledge on a wide range of issues is no doubt a key factor behind *Newsweek* naming him one of the new thought leaders of America in 2010 and the *Daily Beast* signaling him out during that same period as one of the 25 smartest people of the decade. In 2012, *GQ Magazine* named him the third most powerful person in Washington, putting him in the holy trinity of political influence which most government relations professionals can only dream of.

Mr. Plouffe is widely referred to as the architect of President Barack Obama's two presidential campaign victories. And after the 2008 campaign, he served inside the White House as Senior Advisor to the President. Many of the people in our audience today and those watching us at home will have read his *New York Times* bestseller *The Audacity to Win: The Inside Story and Lessons of Barak Obama's Historic Victory.*

So as you can well imagine, especially during this hotly contested election period here in Canada, Mr. Plouffe could well have chosen to address us today on a political issue relating to government and how it gets itself elected in the modern age. But as we stated, Mr. Plouffe is a man of many interests and talents and, as such, decided to join almost exactly one year ago one of the most unusual new companies of our era, one that has started an international conversation around a whole raft of issues.

Uber has in fact become of one of the largest transportation companies on the planet, and yet they hardly own any assets at all. Could that be the future? And if that is the future in the private sector, what will the impact be on the business of government? Are we moving towards a whole new concept of business without any brick and mortar? These are no doubt questions that Mr. Plouffe thinks a great deal about, and they are why we have invited him here today to deal with one of the most important issues of the future of developed economies, such as the one we live in: What is the future of transportation, and how will that impact our daily lives?

So, ladies and gentlemen, it is a great pleasure to welcome to Canada the Chief Advisor to Uber and to its CEO, Travis Kalanick, Mr. David Plouffe.

David Plouffe

Well, thank you, Gordon, for that introduction and your leadership of the Empire Club. And thanks, all of you, for being here. You are generous with your time. You might have showed up because you thought I would reassure you that we will not be electing Donald Trump as President. I can reassure you that we are able to talk about politics later. I want to thank McCarthy for hosting and sponsoring this event, and, yes, it is a privilege to be here and to spend a little time talking about Uber. And I am curious before I start: How many of you have used Uber or a service like it, if you would not mind raising your hand? Okay, well, first of all, thank you, and I will skip the remedial explanation of what we do.

But I would like to take this opportunity to maybe elevate the debate a little bit. I think that a lot of debate about Uber—it is a new technology. Some call it "disruptive." Some say it is reforming transportation, and, oftentimes, it is viewed through the prism of old vs. new and Uber vs. taxi and the questions, *How should we operate? Should we operate?* And we are involved in some very important discussions here in Toronto. The city staff has put forward some modern, ridesharing regulation frameworks that will be voted on in city council next Wednesday. And so if any of you have influence there, we would ask you to lift your voices, your prominent voices, to make it clear that modern, ridesharing regulations have a place here in Toronto, in Canada.

But this is about bigger issues than just I think how it is often covered. This is really about, first of all, helping the economy. I think oftentimes it is natural that when we first come into a market, there are early adopters. And people view Uber as something that younger, hipster types are taking to bars, and there are a few drivers helping them do that—and by the way, that is an important use case. We are seeing all over the globe reduction in driving while drinking. In fact, there is a behavioural change going on based on our research with people under 25. If they live in an urban area where ridesharing is available, they do not even think about driving drunk. Why would you if you can just press a button? So that is a huge use case. But what happens is there is a huge unaddressed market. So the for-hire vehicle market, which is traditionally thought to be of taxis and limousines in most cities, here in Toronto it probably grows five times over the four or five years.

So what is clear is there are a lot of people that were looking for a different way get around their city, and there are a lot of people who would like to make a little money helping them do it, and so this is a false debate between Uber and taxi or Uber and public transportation. We become part of an ecosystem. We do not do street hails. Our big proposition is not necessarily in financial districts or outside of 5-star hotels. We serve underserved areas all throughout the GTA here, all throughout the world. And here in Toronto alone, we have 16,000 people as of today driving on Uber platform—all *different* kinds of people. Some of them are driving 40 hours a week, and that is their main source of income. Most are not. Half of our drivers here in Toronto drive less than ten hours a week. It is not even really a part-time job. It is something people are doing around the rest of their lives to make a little bit of income.

This is something I am passionate about. The reason I joined Uber—there are many reasons but one is to be surrounded by people who are younger and smarter than myself. I find that is always a good thing to do through life. But you will not find too many people, I have found, who can answer on scale, *on scale* the question that is bedeviling countries all around the world: Even as the economy recovers in most places and the unemployment rate recedes in most places, how do we actually grow incomes in an appreciable way on scale? There are a lot of policy solutions, and we should try all of them, but what is happening with platforms like Uber is people are making, as a family, let us say, $40,000 or $42,000 in their core enterprises. And one of them drives ten or twelve hours a week, and they go from $42,000 to $60,000. To them, that is a small miracle, particularly, when you do it on your terms, when you are not told when to drive. There is no schedule. You have your job and your school and your kids and your aging parents and your social obligations, and then you decide here is when I am going to use Uber.

So that is what this is about from an economic standpoint. And we are at 16,000 drivers today on the platform. If you think about it, if the for-hire vehicle market grows as we think it could, you are going to see a lot more in some of our more mature cities. In Los Angeles, we have 42,000 drivers today on the Uber platform; in Chicago, over 30, and even in smaller communities, whether that is London or Hamilton. You know, you have a few hundred people driving, and even though those cities are not large, global cities like Toronto, in cities like that, there are fewer transportation options. There are fewer cabs, and there is very little public transportation, at least on scale.

All of you have, obviously, built and have grown successful businesses, and you care about the future of this city, so when you talk about that many people who have improved their lives in that way, it is a significant, significant addition. And, of course, economically, all the people in the back of the car are going somewhere. Some of them are just going home, but many of them are going to small businesses. It used to be you had to cite a restaurant or retail establishment based on a public transportation line. That does not have to happen anymore. People are delivered to your doorstep. People are more likely to come in from the suburbs to cities when they do not have to worry about parking, the expense of that, or worry that if I go out of the restaurant at 10:30, will there be a cab there? They know they can press a button while they are paying their cheque, and the car will be there. The extension of public transportation is something that we are very excited about. In a couple of U.S. cities, and in Atlanta and Dallas, Texas, we are in the APT for the public transportation agency. So if someone who is on that subway or train asks for a car before they get to the last stop, they know it is going to be there.

So the economic scale of this I think is bigger than sometimes people imagine it, and, honestly, it is not something that our two founders—one of them proudly is from Canada, from Calgary—had in mind. They were just trying to improve transportation in San Francisco for their friends, but it has grown into something that shows there is a huge, unmet need on the transportation side. But there is also a huge need for people to make more income, and this is an easy way for people to do it on their terms.

In terms of the mobility challenges, every city in the world is dealing with too much congestion—Toronto is a good example of that—and a trend of urbanization the likes of which the planet has never seen. People are coming to cities with the velocity that has never happened in the history of humankind. Millennials, in particular, want to be in urban areas. Well, unless you are some cities in

China, maybe Dubai, there is not much more space to build public transportation. There is really not much more time, or money or space to build new freeways or even add lanes. So the math is the math. You have more people coming into already congested cities, so what are we going to do about that? We have to make sure that we reduce personal car use. Maybe that is the family with two cars going down to one. Maybe it is a young person deciding never to purchase a car. With my generation, you know, you turn 16, and you have got your license. You saved up money to buy a car. I still like to drive. The younger people today have less of an interest in that. They want to travel a lot and not be tied down, so it fits the way they want to live.

So the core proposition of the Uber products today is that someone is not driving their own car. Cars today around the world are utilized 4% of the time, by the way. The most underutilized asset in the world is our vehicles, and there are 1.2 people per car. Think about that. The average Uber car—even if someone is driving just three or four hours a day—is putting 16, 18 people into it.

But where this goes from here is what we are really excited about—and, again, this is not where we started, but we are learning as we go—is that we have something called "Uber Pool" that we experimented with here during the Pan Am Games. It is in L.A., San Francisco, Paris and New York and a couple of cities in China. And what that means is, if you order an UberX today—for those of you who have done that—someone shows up in a Toyota Prius. Well, you can opt in those cities as you could during the Pan Am Games, so if I am going from here to the back of the room, and this gentleman in the red tie is going in the same direction, roughly, we can choose to share the ride. Carpooling, what the world has talked about since 1973 and the first big OPEC oil shock, has never worked on scale. Well, it is working. It is half-price transportation which means the Uber ride, which is already less expensive than many transportation options, becomes available to just about every income spectrum, and that is important because we know—I have probably consumed more political research over the last ten years than anyone in the world sadly—is that the average person, no matter where they live, would say, "I'm struggling with money. I don't feel secure enough economically. I'm also struggling with time." Time is almost as big a pressure as money, and transportation is too expensive and takes too long for too many people. So when you can bring it to the masses, inexpensive transportation, whether they are going from home to work or home to the subway line, it is a huge deal. So half-price transportation below UberX. The drivers are making more money because they are on our perpetual trip. Someone is always in the car but then you have the added benefit of congestion reduction because then you really begin to bend the curve when you are doing carpooling on scale. And, like most things at Uber, we experiment. We did not know if this would work, and, in the beginning, it did not work that well when we launched it in San Francisco last year. Now, in San Francisco, 50% of the people who choose to use an Uber asked to carpool. Why do they do it? They do it largely because it is inexpensive. But they also do it because they feel like they are making a contribution to the environment, to the climate, to congestion.

That will not work everywhere. It has to be dense urban areas with a lot of driver supply, but it will work here, in Toronto, which is a major global city, and carpooling on scale is going to make transportation potentially transform the way cities move. Los Angeles is probably one of the historic cities about congestion. If 15% of the people in L.A. carpooled, there would never be another traffic backup. Now, 15% is a lot, but it is not so crazy, and we just announced yesterday in Chengdu, China, which is Uber's largest city now, something called "Uber Commute," which means you can choose to be an Uber driver just on your commute. So you are going in to work, and you decide, "I'm going to pick up somebody from the neighbourhood," and then you are going home, and you drive somebody home. So these are not even our traditional, 10-hour a week Uber drivers. These are just people, right? So again, trying to bring technology and efficiency to something that really has bedeviled communities: How can we have less cars with one person in it driving back and forth every day to reduce the nightmare at rush hour?

So from a mobility option, we think we can help reduce congestion, help reduce the number of cars on the road, and we are still young, so lots of people have not even heard about Uber, much less used it. But amongst Uber users, 8% or 9% of our users in the U.S. said they had given up a car, beginning to scale in terms of behaviour change.

And then we just become part of the ecosystem, so some people—and for those of you that do this, we are very grateful—choose to use us to get around your city as your primary option, but most do not. Most people may still drive themselves occasionally, or they will take us into town and take a taxi home, or they will use public transportation, or they will bike. But we become part of that solution, so I think about some of the biggest problems facing the world—and listen, we are a business. We are trying to be a successful business. We have a bottom line. We are not a non-profit, but, as we get deeper into this, we see that some of the central challenges facing large cities in the world—more mobility options, less congestion, less emissions, more economic opportunity—are things that we can address. We can be part of the solution set, and so that is what this debate is really about, and we are hoping that the Toronto City Council can send a strong signal next week that they are going to embrace modern ridesharing regulations. About 60 states and cities in the U.S. have passed new laws over the last year to do so. Mexico City is the biggest global city to do so. The Philippines was the first country to do so. There is momentum there because I think people are starting to see it is bigger than just this Uber-taxi debate. There is a lot of benefit here to cities if we approach this right.

So we are excited about being a partnership here. I will add, you know, that it is interesting that Beck Taxi, which is a prominent player in the taxi industry, reported that last year was their best year ever. So again, when the market is growing, the pie grows. When more people decide to get around their cities by not driving their own cars, public transportation will benefit. Taxis will benefit. Ride-sharing companies, like Uber, will benefit, and I do think that Toronto is a global city. I think that if Toronto moves forward here on regulations, it will not just impact the rest of this country, which is so very important, but I think it will also send a global signal and help us forward here on our march.

So we are excited about what we are working on here. We are experimenting with other products, as you know. I do not know if any of you tried UberEATS. Who has tried UberEATS? Okay, so I highly recommend it. Now, this is a great product. Who knew by the way? I did not know that people wanted food, sandwiches, salads, on demand in five minutes, but it turns out they do. People want everything. I think today's offering for us is from Dundas Park Kitchen. He has a great chicken stew, but there is a lot we can do with this platform. If you build a matrix, so to speak, if people want food in five minutes in their busy day, we can do that. We have experimented with other sorts of delivery of goods.

So we are going to continue to innovate. I think the core innovation though is about how do we offer a ride in three to four minutes to as many people on the planet as possible? Ideally, how do we offer that ride in a way that people are sharing the ride to bring costs and emissions down? And how do we help answer the question that every city is facing which is *How are we going to survive the population explosion that's going to happen in a situation where we are already so stressed and challenged from a mobility standpoint?*

So I want to thank you for your time today, and we are going to have some time, Gordon. Everyone has got a hard stop. You have got to get back to your offices, so I appreciate you staying here, and we can talk more about Uber or politics or whatever you would like. Thank you.

Questions & Answers

Q: You alluded to this partly, but why did you join Uber, other than to be surrounded by young and brilliant people? Was there something else?

DP: Well, that is part of it. I think that as you get along in life, the ability to learn new things and be challenged is important—and to get out of the comfort zone a little bit, so I have been in politics and government a very long time, and while there are some similarities to what I am doing now, I am learning a lot every day from a lot of smart people. So that was from a sort of personal standpoint.

My family and I were really desperate to get out of Washington, D.C., and we were probably going to go back to Chicago, but this was such an interesting opportunity, and my wife used to live in San Francisco, so, from a personal standpoint, it made a lot of sense. But I do believe in the mission. I will tell you that, when I am sitting in government meetings, particularly, in the White House or when I am talking to governors, there are a lot of good ideas out there in education and workforce development and tax credits for childcare. A lot of things we need to do, but it is sometimes discouraging that, on scale, there are not enough answers about how to get more income in more people's pockets, right? And, you can say, well, ideally someone would not have to drive a car for eight hours to go up $10,000 or $12,000, but, right now, for them to do it on their own terms, it could not be more important to them. I think the numbers are 40% of people in America say they could not sustain an unexpected bill of $1,000. That is where a lot of people are. So for people to have the ability quickly to earn some income, either in a steady way or an episodic way is a big thing. So I am very, very passionate about that.

Q: What do you make of the City Hall debate on September the 30th?

DP: It is an important debate. I think that the staff has put forward some solid recommendations. These would be not exactly all the details but a framework for modern ridesharing regulations, and that is what is required because most transportation regulations—whether they be here in Toronto or in Germany or most places in the U.S. or Australia—pick your country—were written a long time ago, pre-GPS, pre-smartphone, and in some cases, pre-cellular technology. That is not going to be a terribly satisfying discussion on how we fit this new technology-based platform into old regulations. So you have to modernize. Now, that does not mean that we do not want to be regulated. That is a misperception about us. We are in rooms every day around the world to get regulated, but with modern, smart, forward-looking, economically positive regulations that have in them as a matter of law what kind of safety regime we need to follow. They would concern insurance, vehicle inspections, and so on so that the public knows that this is done in a smart and safe way but in a way that enables this to be available, both on the rider side and the driver side to as many people. So that is what is at stake, and, again, I think that it is important for Toronto that this be successful. But I think the message it will send throughout the country and the world will be very significant.

Q: We will have the Mayor of Montreal here in a few weeks. I wish she was here to hear to the answer to this. Can taxis and Uber peacefully co-exist?

DP: Oh, of course. First of all, there is some competition. Some of you have probably done this. You might have taken a taxi three years ago, and now you take an Uber. But, you know, on scale, the decision most of our customers use is perhaps not to drive their own car and order an Uber. As that for-hire vehicle market expands, there is still going to be a healthy place for taxis. Now, they will not have a monopoly anymore, and so that is where I think a lot of the rhetoric coming from the taxi owners is. For a lot of the taxi owners this is an all-or-nothing proposition and here in Toronto, as I said, Beck said it was their best year ever last year as we were scaling.

You go to Chicago; you go to Michigan Avenue. There are taxis everywhere, and they have people in them. Same thing with Manhattan. New York is a great example. For those of you that have been to New York, Manhattan, the central business district, the Empire State Building, listen: It is very easy to get a Yellow Cab—maybe not when it is raining and not in all parts of Manhattan, but 95% of taxi trips in New York City happen in Manhattan. But the rest of the city, the other boroughs—Staten Island, the Bronx, Brooklyn, Queens—are very underserved, and so 35% of Uber trips happen in those areas and that is the same thing here in the GTA. Our big value prop is underserved areas. Some of those are low-income areas. Sometimes they are suburban areas. Sometimes they can just be the fate of urban planning where there is almost a transportation desert that arose because of the way public transportation was designed, so, yes, they can co-exist, and in fact, as more people make the decision to reduce their own use of their own car, much less buy one, I think all sectors that are involved in moving people around cities can thrive. But it will not be a monopoly.

Q: What do you think about the Canadian federal election?

DP: Well, I learned a long time ago not to lecture anyone on their own politics. I would say that, well, it is fascinating. We are obviously having a very fascinating election in America. Some might call it a "spectacle," but it will sort itself out. I find this fascinating simply because to have at this point—and you have still got a few weeks—three parties so closely in the 30-30-30 range—and it is not moving much—is just a fascinating election. The data then to really understand who still at this date can move is fascinating, and I think there was a lot of attention in the Obama campaign on our use of data technology. I think way too much. At the end of the day, if Barack Obama was not an effective candidate, none of that would have mattered at all, okay? First principles are: Are you a compelling leader? Do you have a compelling message in the right time? Sometimes you can be both of those things, and it is just not your moment.

That being said, in an election like this, really knowing as much about those people and how they make their decisions and the best way to reach them is fascinating. So I will be watching it very carefully just to see whether it stays locked in—in that really, really tight margin—or does one or two of the parties begin to open up a little bit of breathing room? I do not know. It is fascinating.

I will say about politics generally: Something is happening around the world. I mean you see Trump in America. You see Bernie Sanders in America. You see some of the extremist parties even in places like

Scandinavia— Le Pen in France. The Labour election just happened in the U.K. There is a lot of dissatisfaction out there.

In America, we call them "landslides" when one party wins a dominant victory. They do not happen that often, but the two big examples in our country were in 1974 during Watergate and Richard Nixon had to resign and in 1994 after Bill Clinton's first term; the Republicans won everything there was to win.

What is fascinating is that in all our last five elections, we have had four landslides—2006, 2008, big Democrat; 2010, big Republican; 2012, lean Democratic but not as big; 2014, big Republican. So the voters could not be shouting out more loudly that, hey, guess what? Not satisfied. Some of that is because of the recession and economy, but a lot of it is because they just do not feel like they are getting the answers, the cooperation, the solutions they need.

I also think what you are seeing is a little bit different here, particularly, with the advent of you have got three major contenders, but, certainly, in America—and I think you see this in other parts of the world: The sort of bases of the political parties are pulling further and further apart, right? So even in America where I think any fair assessment of the last seven years would be progressives, and they have really been able to accomplish a lot of what they wanted to accomplish for decades, you still have some saying we have not gone far enough. You have Republicans saying, “Mitt Romney and John McCain were moderate sell-outs. We need someone more conservative.” So that is such an interesting dynamic. I happen to think it is a very toxic one and will make it harder for actual progress to be made because it makes it harder for somebody to reach out their hand because just the sheer act of reaching out their hand is a traitorous act.

But there is a lot going on, and I do think that the issue of income growth that we talked about in relation to our platform is real out there, right, and so people see markets coming back, even with the turbulence of the last few months—broadly, directionally, positive, profits coming back. But they are feeling like they are still kind of running on a treadmill, and they are feeling a little bit more secure that they are going to have a job, but it is not necessarily one of aspiration. I think there are a lot of things going on out there. That was not a quick answer, but I do think that it is just fascinating to see a race.

I think the French election, which is a ways off, could be also interesting like that where you have three parties and candidates, probably pretty close to each other, and then how does that unfold? So we will be watching with bated breath, and I appreciate you not asking me a direct Trump question. Thank you.

Q: Uber in twenty years when you are older, and I am very old? What is it going to look like? Have you reached almost the market share that you think is possible, or is it going to keep going? Might it be a much bigger enterprise in twenty years?

DP: Well, I think crystal balls these days two years out are almost impossible, much less twenty, given the pace of change. Where will virtual reality be by then end of the decade? Some suggest we will not have televisions or computers anymore, and we will be immersed in that world. So I do not know.

I know that the core value proposition of how we can help build the cities of the future and provide more mobility options will be at the core. We are in 61 countries now and 335 cities. But think about that. There are thousands and thousands or more cities where our model would work. *Thousands.* What is interesting is we find that it works in smaller communities as well because there may be even more of a dire need there, so there are a lot more countries.

Our goal really is to provide to as many people who live on this planet a ride within three or four minutes at the press of a button. And what is interesting is the model works everywhere. China, obviously, has huge mobility challenges and a huge need for more economic growth, wage growth.

It is interesting: You look at a country like

Cairo. Cairo has obviously had a very tough time, and people were concerned the economy would not recover for a long time, and it is very troubled, but, we, I think, have over 10,000 drivers now in Cairo, people who were in desperate need. Some of these are former accountants and doctors who are looking for that.

Saudi Arabia is an interesting use case because 90% of our ridership in Saudi Arabia is women because they have limited mobility options. So we are excited because while there is distinction to every place—whether that is from a regulatory standpoint or from the public infrastructure standpoint or the use case—it works everywhere. So we have a lot more cities to enter. The truth is even though we are probably in this room well known and well covered, even here, in Toronto, I would hazard to guess half the people who live in the GTA do not know what Uber is. In San Francisco, we still have 20% or 25% that do not. In some of our major cities, we still have 20,000 or 25,000 people a week downloading the app because they have never heard about it, so we have a lot of room to grow in our existing cities. We are experimenting with some other ways to use the platform, but what we are really excited about is that there are still a lot more cities for us to enter, and a lot of them have more limited mobility solutions, so there is even a bigger use case in terms of what we can bring.

Note of Appreciation from Marc-André Blanchard, Chair and CEO, McCarthy Tétrault

Thank you, Gord. On behalf of McCarthy Tétrault, our firm, you will allow me one sentence about selling our firm: We have been recognized by the *Financial Times* as the most innovative law firm in Canada and one of the three most innovative in North America. So you will understand that we are very, very proud to be sponsoring this lunch. We think it is very much aligned with our innovative strategy.

The future of transportation is a central issue for our communities and our businesses, and the focus on this issue right now is imperative. I want to thank all of you for joining us and embracing change, rather than fearing it; for approaching every challenge as an opportunity; and for believing that innovation drives the economy and makes Canada a leader.

David, it is a privilege for me to thank you. I have been a very big fan of yours. I read your book. I think then that not only was it a fantastic book or narrative of his successful election campaign, but I must say to all of us in the room that are into business or community leadership or anything like that, it is a must-read. It was a book about, obviously, crisis management but, above all, it was a book about pursuing a vision, innovation, values, strategy, brand, team work, leadership, resilience, and flawless execution and, obviously, change.

But the core of what David said today evokes the same alignment and discipline and audacity in the same way. So thanks again for sharing your insight and vision and assisting us in elevating the debate. And thank you to Uber for leading this discussion and showing us a glimpse of the future and providing some opportunities for economic growth for all of us. Thank you very much. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Marc-André. I would also like to thank our generous sponsors, McCarthy Tétrault, for sponsoring our event today. I would also like to thank the *National Post,* which is our print media sponsor. Ladies and gentlemen, please, follow us on Twitter at @Empire_Club and visit us on line at www.empireclub.org, and you can also follow us on Facebook, LinkedIn and Instagram. Please, join us again soon. We have a really interesting fall lined up. Starting next week, we are going to have the premier of Alberta giving her first major address outside of that province on Alberta's future on October 2nd, at the Hilton Hotel. We have our own premier coming to the Empire Club the following week, October 5th, and she may actually be talking a little bit about that last question that you spoke to, David. And another big event will happen on December 8th—mark your calendars: We are going to have the governor of the Bank of Canada talking about the future of Canada's economy next year.

Thank you for your attendance today, ladies and gentlemen, and this meeting is now formally adjourned. Thank you.

The Empire Club Presents

THE HONOURABLE RACHEL NOTLEY PREMIER OF ALBERTA:

October 2, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. We are about to begin our program for the day. From the Hilton Hotel in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. Our guest today is Premier Notley, and we always like to talk a little bit about the history when we talk about 112 years at the Empire Club. This season we opened a month ago reminding people in the room that people like Churchill, Gandhi, and Hollywood stars like Audrey Hepburn— everybody has stood at this podium, eventually, and it is a very historical place, and we want to continue that great tradition.

I wanted to point out to those of you that would not have heard about this, in a week and a half, on October 12th, the *Murdoch Mysteries* will feature a special edition of the *Murdoch Mysteries* on a murder at the Empire Club of Canada in 1903. It guest stars William Shatner, who plays Mark Twain appearing at the Empire Club. The episode is actually called "Marked Twain." It is based on historical fact. When you look at the archives of the Club, we actually have had at least one and maybe two speakers killed on the way to speak at the Club. I am very pleased to ensure our speaker today that that has not happened recently, so rest at ease.

For those of you joining us through either our webcast, our podcast, or television through Rogers Cable, welcome, to this meeting, and before our distinguished guest is introduced it gives me great pleasure to introduce you all to our head table guests today.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Rachel Notley, Premier of Alberta

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Mr. Mohamed Dhanani, Executive Officer of His Highness Prince Aga Khan Shia Imami Ismaili Council for Canada

Ms. Sarah Fulford, Editor, *Toronto Life*

Ms. Martine Irman, Vice Chair, Global Enterprise Banking, TD Securities

Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada

Mr. Moti Jungreis, Vice Chair, Fixed Income, Currencies and Metals, TD Securities

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Robin Sears, Principal, Earnscliffe Strategy Group; Past President, Empire Club of Canada

Mr. Richard Vivian, Editor, *Cambridge Times*

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property.

Introduction by Robin Sears, Principal, Earnscliffe Strategy Group; Past President, Empire Club

Thank you very much, Gordon. It is a real privilege to be back with my friends at the Empire Club, living in exile in Ottawa as I do and to be here for this special occasion.

You know, once in every generation a new political star explodes surprisingly onto the stage. Often they flame out and disappear mistaking their luck and good timing for their own brilliance, but a few stride on to the big stage with the quiet confidence of someone who has done it for years. They lead with quiet assurance from day one, their eyes always fixed on the distant horizon. Peter Lougheed was one. Pierre Trudeau was one, and there are no prizes for guessing which group I think our guest speaker today fits.

Premier, many friends of Alberta have come out to welcome you today. The gang from Shaw Communications is here. We have representatives of TransCanada; our sponsor, TD Bank Group; and your province's lead banking partner since before Alberta was a province, CIBC.

Now, I do not know the Premier well, but we do have several hundred friends in common, and so I asked some of them for some insights into Rachel Notley. One said, "You know, she's a very unusual politician. Yeah, she's smart. She's tough. She's a great organizer. She's a good strategist. But she's also a lot of fun. I won't say she'll be the last one to leave the party, but she'll always be the life of the party."

Premier Notley has begun to transform her province with the same quiet determination that Peter Lougheed showed forty years ago. She has shown the same steel in the face of some very tough economic news that her dad, Grant Notley, showed as the sole elected New Democrat in the legislature for most of his career. But she also has a warmth and an empathy, an informality that is too rare in political life.

Another friend said, "You know, you're just thrilled to spend an evening with Rachel, sharing stories in front of a fire with a couple of bottles of good wine."

The Premier credits her social activism to her mom, Sandy Notley. She has the leadership chops of someone who, from the cradle, has been immersed in political life. The Premier is a lawyer, a community activist, a mother. She worked in government in British Columbia and labour law in Alberta on community issues in Edmonton and Vancouver. And she even represented Alberta's nurses. Oh, and I understand she is not bad at math.

Being the life of the party was important when she became leader. Her party desperately needed an injection of life. In many parts of Alberta, New Democrats came under the protection of the Endangered Species Act. In small town Alberta, from her dad's time up to the years of her predecessor and mentor, Brian Mason, as the leader, you expected to drive for hours to do an event where maybe six, maybe eight people showed up. In one such town in the last campaign, at the first event, they got ten people out, and that was an achievement. That was the entire membership of the party in the riding. Towards the end of the campaign, the party's nighttime war room crew, shattered with fatigue, propped up on sugar and caffeine were suddenly shaken out of their stupor by a panicky phone call from the organizers in that same small town. More than 300 folks had shown up and, like any excited campaign crowd, they were jostling and pushing and demanding selfies, and the organizers were losing control. The war room gang looked at each other, and one said in quiet wonder, "Maybe something really is happening here." And a few days later, indeed, it did. Rachel Notley swept every community in every part of Alberta. It was the sort of victory many politicians never see in their entire lives.

But she woke up to a very tough morning after. The province was headed into the toughest economic squeeze in a generation. The Premier may have won a huge political mandate but there was little left in the treasury. Alberta had gotten used to dodging problems by throwing money at them, and now she had to find a better way. In her few months on the job, I think most observers would concede that Alberta is lucky to have a leader of her quality to help them navigate this tough passage. Her government has a very challenging budget only days away. Days after that, she will help lead the Canadian delegation in Paris aiming to prove to the world that Alberta and Canada are, once again, ready to be international leaders.

Alberta has an impressive new leader. Canadian progressors have a new star on the national stage, and we are very grateful for her taking the time to share her vision with us today. Premier, friends, please, give Rachel Notley a warm Empire Club welcome.

The Honourable Rachel Notley

Thank you very much, Robin, for that wonderful introduction. You have a wonderful cadence to your voice as well as substantive delivery, and I was really thinking, "Yeah, I would much prefer to just sit and listen to him speak for the next twenty minutes. This is lovely, and it's about me, and it is kind of fun." So if you want to wrap up afterwards, that is fine as well.

It is truly a pleasure to be here. It is a pleasure to be on this stage. I will do my very best to get off the stage without flaming out and, you know, hopefully, earn my place in the second category of Robin's politicians.

But, really, it is wonderful to be able to be with you here in Toronto. So, thank you, all, for coming out here today. I am just back from New York, which was quite an exciting place to be this week. There was a very important

United Nations session going on. There were several other conferences going on and a recent Papal visit, and, underlying it all, there was quite an entertaining U.S. national election working its way through. I hope that I am not actually creating a diplomatic incident by saying that if Donald Trump ultimately wins the U.S. Presidency, there is going to be quite a revolution world-wide in men's hair styles, but do not get too excited. So get ready.

There is an almost equally exciting campaign going on here north of the border, and I am watching all of this feeling very grateful that our election in Alberta is over. Not, mind you, that politics in Alberta has not been very interesting. I am the fourth premier our province has had in two years, and there has been a lot of change at the top in our province, even before I arrived—a lot of drama and a lot of uncertainty and then a change in the governing party for the first time since 1971.

Since then I have been working hard on our agenda, which we will begin to detail in a provincial budget. Our government will be presenting to the province in our legislature in the week of October 26th. But I am here today to outline a little bit of what we are working on back home in Alberta, and then I am going to conclude by offering you just a few words on the importance of the Alberta-Ontario economic partnership.

So let me begin by saying that the challenges that the people and the government of Alberta face right now are not small. A year ago today, energy prices were strong. A barrel of oil traded at $95.55 U.S. This morning it was trading at $44.38 a barrel. In 2014, the Alberta economy grew by 4.4%. In 2015, our GDP is projected to shrink by .6%. The economy of Alberta added 48,000 jobs in 2014, and, by one estimate, we have already lost 35,000 jobs in the energy sector this year alone. Energy sector capital expenditure in our province stood at approximately $70 billion in 2014 and has declined already to approximately $45 billion in 2015.

So this very significant economic shock has implications across the country, including here in Ontario. The federal government's finances and, therefore, its ability to support programs and transfers for all Canadians have taken a significant hit, and the broader, private sector economy across the country has lost a significant pillar of growth. Ontario's financial and manufacturing industries in particular have been key partners in Alberta's development and have much at stake in these circumstances, I know.

So these realities are confronting the government of Alberta overall with a tough fiscal challenge in terms of our own budgeting. We ran a $1.1 billion surplus last year, but our predecessors in office projected in the spring election that this year our province would run a deficit of more than $5 billion, and, since that estimate, pressure has continued on oil prices and, therefore, our finances so that that deficit may well end up being higher.

So these are tough challenges, to be sure. But, put up against this, I believe very strongly that we have some very significant advantages in our province to build on. Alberta has world-class universities and colleges. We have Canada's youngest and best-educated workforce. Our province still has by far the lowest overall provincial taxes in Canada with no sales tax. We have by far the lowest provincial debt in Canada, zero net debt in all, the only province in the country that can claim that. We have an innovative, flexible capital market and as much as our energy industry is under pressure, our world-leading energy companies know how to cope with the volatility that is inherent in the energy business these days.

Now, we do not change our government all that often in Alberta. As I alluded to earlier, the last time a new Alberta premier ventured out of this province to introduce a new government was when Premier Lougheed did it in 1971. But we are working very, very hard to make the transition as smooth as possible and to bring as much economic stability and certainty to our province as we can while we implement our plans to address these challenges. Those plans centre on living up to our promise to grow prosperity and create good jobs and conditions that will be widely and fairly shared, renewed prosperity that will benefit every Albertan.

So we know that there is actually only one way to succeed, and that is by supporting an open, sustainable and increasingly diversified economy in our province. And we also know that we cannot accomplish this by ourselves. Job creators create jobs in the private sector, not government, and so our commitment is that we will be honest, thoughtful partners to those job creators. Alberta will continue to be a healthy place for private investment under our government, and we know that our energy industry is a foundation of our economy and will be for many years to come. So looking for new opportunities in our energy economy and pioneering advanced technologies will all continue to require investment on a large scale. So under our leadership, Alberta's abundant oil and gas reserves will remain open to investment, and we will maintain one of the most competitive tax systems in Canada.

Our government will boost exports by seeking out new relationships, strengthening old ones and enhancing Alberta's environmental record, and we will be consultative and prudent in how we take the province in a new and better direction.

Now, as much as I would like to, the fact of the matter is that we do not control the international price of oil, and so we, therefore, have to deal with the hand that we are dealt while working to diversify our economy and working to reduce our dependence on a single product and a single price. So we can also work on strong, progressive policies that move us forward and position us to build on these resources as prices recover; for example, this July the Canadian Energy Strategy was endorsed and adopted by every provincial and territorial government in Canada at the Council of the Federation meeting held in St. John's, Newfoundland. Now, the Canadian Energy Strategy is a very important, intergovernmental framework that will help Canadian governments align on an environmentally responsible, sustainable, and prudently managed development of Canada's energy resources and energy potential.

There were some very important and valuable competing views on these issues when we had this meeting, but, ultimately, what our government found was that conducting interprovincial business respectfully, politely, collaboratively turned out to be the very best strategy. In my view, and in the view of the government of Alberta, it is clear that our only road to achieving those economic goals is by getting it right on the environment. I discussed this issue with Premier Wynne yesterday, and I believe that Canadians are of one mind on this issue. They expect their governments, all of their governments, to act decisively and responsibly on climate change, and so we are listening carefully to Albertans about this issue because Albertans feel strongly as do many business leaders in the energy industry that it is long, long past due for us in the government of Alberta to get it right on the environment. Air pollution, poor air quality, is a direct threat to the health of our children and seniors and Albertans know well that environmental issues and, specifically, the issue of climate change is a key global problem that every community and every jurisdiction must help to address, especially, energy-producing jurisdictions like ours. And if we do not get it right on this issue, a solution is going to be imposed upon us sooner or later by others, by the federal government and by our markets who will increasingly insist that energy products that they buy be mined and processed responsibly. If we want an environmental that works for Alberta and keeps our capital in Alberta, then the time for us to act is now which is what we will do.

We know as well that the province needs to act because doing so is, quite frankly, going to increasingly be the price of admission to those new energy markets that we know we must develop. So it is my hope that by acting decisively on the issue of climate change, we will reframe the current national debate over pipelines and energy infrastructure. By making better decisions in Alberta about the environment, we will hopefully then be able to discuss key pipeline projects on their own economic and environmental merit.

Speaking for a moment in more detail of the energy business, if you follow energy industry news at all, which I am expecting about 35% of you do, you probably know that our province is conducting a review of our province's royalties. Now, this is an important review that is about modernizing and updating our royalty system so that it fits our future energy industry instead of its past. This review is about considering whether there are ways to better manage our royalties so that they better support processing, diversification, and value-added development. And this review is about ensuring that, as prices recover, we collect and begin to save an appropriate share of our own resource wealth in the Alberta Heritage Savings Trust Fund for the future of our children and for our grandchildren. The time is past due, *long past due*, of the government of Alberta to return to a responsible, long-term approach to collecting and investing our royalty wealth and that we stop being the farmer who pays for his groceries by selling the farm's top soil. So that is important to us. We made that promise to Albertans in the election, and they responded overwhelmingly.

So here is the timeline: We intend to announce our policy changes in this area by the end of this year, by the end of 2015; and any changes that occur from that review will be implemented after one year's notice. So investors and energy companies will have a year to prepare for any royalty reforms which would come into effect in January of 2017.

So let me speak a little bit about Alberta's broader fiscal challenges. We have seen drops in the price of oil many times before in Alberta, and we will see price cycles many times in the future, but that does not make it any easier for us to deal with the kind of revenue shocks that we are witnessing as I speak. We will be setting out the details of how we intend to manage this situation in the provincial budget that we will present in the Alberta legislature during the week of October 26th. But, generally speaking, I would like to say we are looking to achieve three things: First, we are going to stabilize public services, and we are going to correct some of the mistakes that, in our view, the previous government made in managing public finances, for instance, with respect to protecting our healthcare and our education, frontline services that matter so much to the people of Alberta.

Secondly, we will present a plan to return to fiscal balance. Albertans understand that the government needs to play a shock absorber role, but they also want to know and deserve to know exactly how our government plans to bring the budget back to balance, and so they will know that.

And, finally, the government of Alberta has an important role to play as good partners to Alberta's job creators, entrepreneurs, good-ideas people, and visionaries. Becoming Canada's best place to start and grow a business and competing at the high end with our Alberta businesses that provide our people with good, high skilled, mortgage-paying jobs—those are very important to us. It is about doing more than we have thus far. It is about operating a province with a modern and efficient infrastructure, about expanding access to capital, about supporting innovation, and it is about being determined about trade development and, quite frankly, about being single-minded in attracting inward investment throughout our economy. So we can do that, and, as well, we can reform the way we structure government so that we are easy to work with. One-stop shopping for government business services. So we are considering all of these strategies and more very carefully, and we will have a lot more to say about it when we introduce our budget in October.

Let me just conclude by saying a few words about the close, economic partnership between Alberta and Ontario. Over 1,100 Ontario companies provide the energy industry in Alberta with construction, manufacturing, transportation, warehousing, financial services, and environmental consulting goods and services. Now, there has been a reduction in investment to the energy industry in the face of low prices, but, by any reasonable estimate, Alberta will still require hundreds of billions of dollars in goods and services from Ontario over the next 25 years. So we are partners in each other's success, and our provinces need to work together to promote jobs and prosperity and responsible environmental and climate change policy in Alberta and Ontario and across the country.

So I discussed these issues, as I said, with Premier Wynne yesterday during our meeting at Queen's Park. I invited Premier Wynne to visit Alberta and to consider bringing a delegation of business leaders to discuss how we can further deepen our close economic ties. I am very pleased that she has accepted my invitation, and I am looking forward to this work.

So, friends, it has, indeed, been a time of very rapid change in Alberta over the past two years. But we have now re-entered a period of political stability and a strong majority government in our province. So this gives us an opportunity to deal with some important matters that require a steady hand and careful, engaged thought. We will stabilize our public services and run them well. We will set out a plan to return to a balanced budget, and we will work within our means to promote jobs, value-added production, diversification, and prosperity—as I said, again, prosperity that is widely shared and in balance with our duty to act on climate change.

So I want to thank you all for coming out to join me here today, and I am looking very forward to seeing many of you coming out to Alberta to visit us. Thank you very much.

Note of Appreciation by Martine Irman, Vice Chair, TD Securities

Thank you, Mr. President. Premier Notley, on behalf of TD and all of us here today, thank you for joining us and for such a passionate elocution. The Premier often speaks of a sense of community that unites Albertans, a belief that our own family is better off when all families are better off. That could be said about our nation. A strong, prosperous Alberta is vital to a strong, prosperous Canada. Each one of us has a vested interest in seeing its long-term success. Now, we often talk about that from an economic perspective, but Alberta's contributions to Canada run much deeper than that. The true grit of its people, their optimism and can-do spirit stage a national unity around our own identity as Canadians.

Is it any wonder that one of the province's first female MLAs—I will quote Nellie McClung—liked to say, "Always in Alberta there's a fresh wind blowing." Now, she was a Liberal. I am sorry. I could not find…I worked on that one though. The same positive character was definitely on display today. Premier Notley spoke frankly about the challenges facing Alberta today. She left no doubt in our minds of the province's best days still remain. Patience is definitely required. Progress the Premier has noted is more about choosing the right path than how far and how fast it can be traveled. One thing for sure is that we all of us will be interested in seeing and watching Alberta's journey with great interest.

Premier Notley, to you, we wish you continued success, and, thank you, for your frank speech. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Martine. Well said, and thank you again to the Premier as well. We are so happy that you ventured out of your province, and, please, do feel free to come back anytime to the Empire Club of Canada. You will always be welcome.

Thank you to our generous sponsors today, the TD Bank for sponsoring the event. We would also like to thank the *National Post* which is our national print sponsor, Rogers Cable, our broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event globally.

Please, follow us on Twitter at @Empire_Club and visit us on line at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. Please, join us again, ladies and gentlemen, in the upcoming weeks. We have some extraordinary events scheduled over the coming weeks. On Monday, in our ongoing Premier Series, we have Kathleen Wynne coming to this same room—note to self: Transition to red tie. Dr. Graham Sher, President and CEO of Canadian Blood Services will speak on October the 13th at the Arcadian Court. Michael Medline, President and CEO of the Canadian Tire Corporation will speak on October the 14th at the Arcadian Court. Heather Conway, Head of English Services at CBC Television will speak on November 20th, also at the Arcadian Court, and, ending up our year or getting close to it, on December 8th, we have the Governor of the Bank of Canada coming to the Metro Toronto Convention Centre to give us his view on the economic forecast for our country.

So this ends today's meeting, ladies and gentlemen. This meeting is now adjourned. Thank you so much for your attendance.

The Empire Club Presents

THE HONOURABLE KATHLEEN WYNNE PREMIER OF ONTARIO:

October 5, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Hilton Hotel in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. And I have got to tell you that "112 years" makes you think a lot about the history of this Club. It has become an icon in this country in many ways, and, in fact, I said to our audience for Rachel Notley on Friday—and I will repeat it today: For those of you around next Monday night, October 12th, tune into *Murdoch Mysteries,* and you will see a special episode "Murder at the Empire Club." I understand that William Shatner is starring in the role of Mark Twain, who makes a speech at the Empire Club, which, apparently, gets him into a whole lot of trouble. Interesting, and, of course, it speaks to the long history of our organization.

For those of you just joining us through either our webcast, our podcast or on television through Rogers TV, welcome, to the meeting. Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Kathleen Wynne, Premier of Ontario

Guests:

Yvan Baker, Parliamentary Assistant to the President of the Treasury Board; MPP for Etobicoke Centre

Mr. Andrew Bevan, Principal Secretary, Office of the Premier of Ontario

Mr. Thomas Chanzy, Vice President, Public Affairs, Ontario Trillium Foundation; Director, Empire Club of Canada

Mr. Christopher Donnelly, Vice President and Counsel, Industry, Government and Regulatory Affairs, Manulife Financial

Mr. Kent Emerson, Director of Operations, Office of the Minister of Finance

Mr. Paul Fogolin, Director, Government & Stakeholders Relations, Ontario Retirement Communities Association

Mr. Gary Huizing, Northern Regional Manager, Northland Power Inc.

Mr. Sam Mantenuto, Vice Chair and Chief Operating Officer, Northland Power Inc.

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

John Wilkinson, President, Wilkinson Insight; Former Ontario Minister of Environment, Revenue and Research & Innovation

My name is Gordon McIvor. Ladies and gentlemen, welcome to our meeting, and, as is our tradition, we have a group of students joining us today. This week they are from the Ted Rogers School of Management at Ryerson University. Students, would you, please, rise and be recognized. Welcome.

And we are extremely honoured, ladies and gentlemen, as well to welcome today the former Prime Minister of Canada, the Right Honorable John Turner. Welcome, sir.

And we have a lot of MPPs in the room. If they could all stand up, please, and be recognized, and I want to acknowledge my own MPP, Kathryn McGarry. Thrilled to have you from Cambridge. Kathryn, welcome.

Introduction

The 25th premier of Ontario has become quite literally a household name and, really, does not require another recitation of her extremely admirable biography. So let me instead use this introduction to place her speech today into some kind of historical context from the Empire Club perspective, as we know that this Club is, quite possibly, as I mentioned earlier, one of the most iconic institutions in our country and has the advantage of being able to look back through thousands of addresses throughout its 112-year history.

Now, many people forget that Ontario's 25th premier is also the province's Minister of Intergovernmental Affairs. She is, therefore, not only addressing the Empire Club of Canada today as Premier but also as the Minister of the Ontario government responsible for ensuring that her province's relationships with other jurisdictions are operating at an optimal level. This interplay between different levels of government has long been a topic of relevance at the Empire Club of Canada, which was itself set up during a time at the dawn of the 20th century, when there was great turmoil between Canada and Great Britain with much discussion in the country about abandoning the relationship with Great Britain and joining the United States of America.

The origins of this Club were to ensure that the young Canada would not join its southern neighbour but rather remain faithful to what was then known as the "British Empire." It is the mandate of the Club today, as it was in 1903 when it was founded under the leadership of Brigadier General James Mason, to bring before the Canadian public people in positions of power and influence who can present their perspective and contribute to the national dialogue. Now, other than the bias of not wishing to join the United States and sever ties with the British Empire, there was no Empire Club agenda, and views from all those in positions of power and influence were welcomed without partisanship, and we have remained true to that mandate since that time in 1903.

At the Club's founding, Sir George William Ross was the 5th premier of Ontario, and the Liberal Party had been in power for almost thirty years. Premier, you must like that part of the story. One thing that Premier Ross was always committed to was maintaining good governance and the proper relationship with other jurisdictions, which, of course, in his day would have meant between the King, Canada and the provinces. He actually addressed this very topic at our podium on May 23rd, 1910 after he had left provincial politics and gone to the Senate. In a speech entitled "The Place of the King in the British Constitution," he speaks clearly about a major governance issue of the day, namely, that even the King's representatives in Canada and its provinces had to abide by the voice of the people, the electorate, and I quote from that speech:

> In 1900, the Honorable Mr. McInnes, Lieutenant Governor of British Columbia, dismissed his Ministers and called upon the Honorable Joseph Martin to form a new government. Mr. Martin appealed to the country and was defeated. Mr. McInnes expected that the country would sustain the dismissal of his former advisors, but, as he failed in obtaining the support of the electorate, he was himself dismissed, and a new Lieutenant Governor appointed in his place.
>
> The constitutional practice seems to be that where the head of the executive government dismisses his advisors and fails to be supported by the electors that his immediate retirement from office is necessary in order to maintain harmony afterwards in the administration of the government. In the case of the King, the only amends practicable is the restoration of the Ministers possessing the confidence of the Canadian public.

Now, we, of course, live in a very different governance regime in 2015 than was the case in the early days of this

Club's history. But what remains identical is the ongoing struggle to make different government jurisdictions work effectively together in a confederation that has been called "difficult to manage" because of its enormous challenging geography matched by the diversity of opinion on how best to achieve that goal.

From this perspective, Minister Wynne's presentation today falls squarely into the theme of how Canada's various jurisdictions should work together for optimal efficiency. It is a theme that we have explored often and in multiple scenarios over our 112 seasons, and we are delighted that Premier Wynne will today continue to add her voice to that national debate as have so many others of every political stripe before her.

Fortunately, it is a debate that Canadians do not shy away from, whether discussing relationships with the monarchy and its representatives or between our three basic levels of government, and it is a debate that has always made our democracy stronger and more resilient as a result.

So, ladies and gentlemen, it is my very distinct pleasure to welcome, once again—in fact for the third time—to our podium, the 25th Premier of Ontario, Kathleen Wynne.

The Honourable Kathleen Wynne
Thank you. Thank you very much. Thank you very, very

much. I appreciate it. Thank you. Thank you, everyone. Thank you very much, Gord, for that perfectly historical introduction. Thank you. That is great.

I got to sign a book today in which mine is the second last signature that started in 1963, so there you go. Wonderful. The history of this organization is wonderful, and, thank you, all of you, for being here today. It is wonderful to be here with all of you. I want to begin as I do by acknowledging that we are on the traditional territory of the Mississaugas of the New Credit. By recognizing the First Nations and Métis peoples of Ontario, we show them respect, not only for their place in our history—and we have started with history this afternoon—but for the important contributions that they continue to make today. So I am happy to do that.

I am here this afternoon to talk about leadership, about the leadership that, yes, we are providing to the people of Ontario and about the kind of *national* leadership that is required to truly deliver on that promise of Canada that we all hold dear. And so Gord's introduction in terms of that ongoing discussion we have had in this country because of the nature our federation is apropos. And no, it is no coincidence that I am here on the eve of a federal election. I am here *because* we are close to decision day in a very important national election. So that is just full disclosure. It is really an important moment.

As Ontarians and as Canadians, we need national leadership that understands that we must work together to invest in a better future for us all.

In these what I can describe as difficult times, it is critical that we elect a government that will create jobs, that will reduce inequality, protect our environment and improve our quality of life by renewing the infrastructure on which we all rely. Now, that is a long list, and I understand that that is a big challenge, but there is nothing in that list that we can afford not to do. All of those things have to be tackled, so, today, we are only two weeks away from that federal election, and I know for leaders, for party workers—and many of you are in the room; I know there are candidates in the room—it has been a long campaign; although, Bill Morneau told me it is his first campaign, so what does he know? That is what a campaign is. So Bill, you are here today because you have still got energy. You do not know that it is long. It is really long, and I am sure it has felt even longer to the people who are on the ground every single day. And, as someone who has campaigned, both as an aspiring MPP and as a party leader, I think all the time about all the doors I have knocked on, and I think about the noise and the energy and the rush that comes as you open the bus door. Truly connecting with the people we represent and serve is such a wonderful feeling and the best part of every day on the campaign trail.

But the most energizing thing about an election is that sense of possibility that I think we all feel, the prospect of all you can accomplish if you earn a mandate from the people. And that is why people are by turns apprehensive or anticipatory about what will happen on election day. And such a privilege is not to be wasted. It is not something to be afforded to a party that is out of ideas or out of touch. We all should entrust our national government to a leader and a party with new ideas and new energy that suit the times and meet our needs.

As Premier, and I have said this, I will repeat it, I will work in partnership with any Prime Minister who is committed to building for the future. That is what we need, but I will never hesitate at the same time—I will never hesitate to stand up for our province. It is part of my job. I have done quite a bit of that in the past two and a half years, more actually than I thought I would have to. But when a prime minister declares that he is delighted to thwart the will of a duly elected government with a mandate to improve retirement security—just for example—you are darned right: I am going to fight back. I am going to stand up for the people of Ontario. Because here is the thing: I believe that the hardworking people of Ontario deserve a national government that supports them, not one that stands in the way of progress.

More than a century ago, Wilfrid Laurier spoke of the imperative for government to not only fix small problems but to open up new horizons, to seek forward motion and progress. Government should not be timid. It has to be bold. It should not seek refuge in fear. It most speak in an optimistic voice to the very best of us. Above all, government should not shy away from challenges. It must confront them. In fact, I would suggest that that is what government exists to do. It is not easy, but it is what it is in place to do. It takes time. It takes effort and determination, and you do not win every battle; that is a reality. But it is the *only* way to achieve real progress.

On behalf of Ontarians, we are dedicating ourselves to opening up new horizons. After being reelected last year with a majority mandate, we went straight to work delivering on our promises and striving to build greater opportunity and security for those who, we represent and serve. And we are already seeing important signs of progress. For the second year in a row, we were the number one place in North America for foreign direct capital investment. Exports, high school graduation rates and job numbers are all up over last year. The economy is growing stronger. There is more to do, but we are seeing those positive signs, and our goal is pretty straightforward: We are dedicated to building Ontario up, making what is a great province even greater for the generations to come.

But to fully achieve our goal, we need a federal partner who is willing to listen first and then is eager to engage and prepared to act. All Canadians deserve a national government that is focused not simply on winning an election, but on *using* its mandate to make a measurable and positive impact in people's lives.

As provinces, I know—and, of course, there is a lot that we can do and we are doing on our own, in healthcare, in education and beyond—any measure of leadership demands tough decisions today at every level of government. That is the *only* path to a better future, and it is a path that we are very proud to walk here in Ontario. But the nature of our federation is such that greater achievement is possible when there is genuine cooperation between federal, provincial and territorial governments. And that is especially true when governments are of the same mind about how best to address the challenges of the day. Finding that alignment is really important.

So today I want to focus on five key areas where national leadership can help improve the lives of people in Ontario and, indeed, in the whole of Canada. The first is the fight against climate change. Climate change represents the single, greatest threat to our health and prosperity for today but most seriously for generations to come. It is our responsibility to confront this challenge.

Here in Ontario, we are moving forward. The closure of our coal-fired power plants represents North America's single largest initiative to combat global warming, and we are joining the farsighted jurisdictions of the world by introducing a cap in trade system to reduce greenhouse gas emissions. And we intend to link our carbon market with California and Québec under the Western Climate Initiative.

In fact, I am going to be traveling to California in the near future. We are going to be discussing cleantech and other important initiatives where we can learn from each other.

And the reality is that, so far, almost all of Canada's momentum on the climate change file has been generated by the provinces. I will just say that again: *Has been generated by the provinces.* And that is the *national* success, but it has been generated at the provincial level. And, here in Ontario, we are very proud to be at the forefront of that progress. Some national governments cannot and are not waiting to be told that it is time to act. We are showing the way, and we are demonstrating that good environmental policy is also good economic policy. But we need national leadership as well. In particular, Ontarians need a federal government that will step up and deliver support for energy saving, retrofits, investments in clean energy along with stable funding for public transit in partnership with our government and municipalities. So those are very specific things that the federal government could be doing to support provinces and support municipalities.

Our international reputation, *Canada's international reputation*, would be enhanced by a prime minister who is willing to accompany the premiers to this fall's Paris conference on climate change and, at the same time, take on a real and meaningful leadership role not only at the negotiating table, but on a day-to-day basis and, in fact, that is the only way that Canada will become a true leader in the fight against climate change.

To be blunt, we cannot afford another decade of inaction. We have to move beyond words and indifference. We have to adapt. We have to change. We have to innovate, and all of that begins with a national government that is willing to show real leadership on climate change.

The second area is improving and advancing Canada's place in the world. Now, I was just talking about our place in the world vis-à-vis climate change, but there is a more general issue about Canada's place in the world. In particular today, I would like to talk about how we welcome the world to our province and how we compete in the global economy.

We have all been moved by the heartbreaking plight of Syrian refugees. Ontario is ready and willing to accept more refugees and to help them to settle here.

We recently announced $10.5 million in new funding to support relief efforts in the region and to help expedite the settlement of refugees across the province. But here is the thing: The number of refugees entering our province and how quickly they can arrive is at the sole discretion of the federal government, and the current federal system is not moving fast enough to meet the urgent needs of refugees nor is it moving fast enough to meet the high expectations that Canadians have for our country to act with compassion as we have done throughout our history. So it is absolutely necessary and critical to have in place the right security measures and requirements for documentation. No one would argue with that, but, even within those parameters, I believe that there is more that can be done to expedite the process, and we need national leadership that steps up to meet the challenge of that humanitarian crisis. We need national leadership to help those whose lives, through no fault of their own, are defined by chaos, hardship and threat. So I will continue to call on the federal government to do that.

Just another bit on the Canada's place in the world: Canadians also require more active leadership on trade. The hard reality is that we continue to lag behind many countries when it comes to accessing certain markets, especially in Asia, so, as a result, our economic potential is not being fully realized. Now, I realize that there is a trade agreement that has apparently been signed. We do not know the details of that agreement at this point, but, in Ontario, our going-global strategy is about building on the connections of our diverse population. So we recognized already that this is critical. Last fall, I traveled to China with representatives of our cleantech industry. We did a billion dollars' worth of deals. We sowed the seeds for future opportunities that will further advance our partnership because it is not enough to play lip service to building trade relationships. We need to do a better job of selling ourselves to the world and, in fact, that is what people from around the world say to me is that we need to be better about telling our Ontario story. So that is why I will be returning to China this fall on a second trade mission, and, in early 2016, I will lead a mission to India with a focus on sustainable development and infrastructure. I will follow that with a springtime trade mission to Israel with companies involved in healthcare and life sciences research and development.

But, again, to compliment the work that we are doing as a province and to achieve our full potential, we need that national leadership that understands the federal role in establishing a stronger foothold in Asia and other important markets on the ground with those strong relationships.

That brings me to the third area: Transit and infrastructure. It is so important that we invest today to reduce traffic congestion and renew our essential infrastructure all across the province, not just in the GTHA. We are already demonstrating our commitment. Our government has a plan and has started to invest more than $130 billion over ten years, and that is the largest such investment in Ontario's history.

That means the creation of new roads. It means better transit. It means bridges, new hospitals and schools, and it means a renewal of the energy and water infrastructure that need to remain competitive and drive sustainable growth across our economy. Those investments do drive our competitiveness. They drive our productivity. It also means that we need to make tough decisions because all of that has to be paid for. I spoke earlier about the importance of acting today in order to make those decisions on difficult issues and that that is how you get to a better tomorrow. Broadening the ownership of Hydro One is, for example, one of those difficult decisions. It is not easy, but it is the right thing to do because it is helping us to make the infrastructure investments that we need to build Ontario up. I told people in the election last year that we have to be fiscally responsible and could not just keep borrowing, that we had to leverage existing assets to make new investments.

So we are doing our part, including making those tough decisions, and the federal government can do its part by substantially increasing investment in infrastructure, driving productivity in growth, improving quality of life, reducing pollution and emissions and making our cities and towns even more attractive to the best talent in the world.

The fourth area is working more collaboratively with Aboriginal Peoples. Now I started my remarks by acknowledging the traditional territory, but it goes *way*, *way* beyond that. Across our country, there is an imperative to build new and better relationships with First Nations, Metis, and Inuit peoples. There is no excuse for *any* government to ignore the abuses of our past relationship nor to stand idly by as our fellow Canadians continue to live in distressing conditions. And, when I talk about that, I am talking about distressing conditions in our urban centres but also in the north on reserve.

We cannot with any integrity talk of a healthy, harmonious, pluralistic society until we forge a new relationship with the people whose ancestors were here long before most of ours. Our government is playing its part, but this is an area like the others where we cannot do it alone. We need leadership from a national government, *real leadership* that includes a genuine commitment to breaking that cycle of despair. As a start: Accepting and acting on the recommendations of the Truth and Reconciliation Commission—that is a pledge that has already been made by Canada's premiers—would be a practical and symbolic step in the right direction.

It is also essential that our federal government stop abdicating its responsibility to missing and murdered indigenous women and girls and agree to a national inquiry. What this requires is an understanding of past wrongs and a commitment to change, and it demands forward-looking policies that provide serious hope and meaningful change for today's Aboriginal youth. Nearly half of the Aboriginal population in Canada is under 25 years of age. These communities are growing at four times the rate of the non-Aboriginal population, so even if, let us say, that you set aside the moral obligation which is acute—but set it aside, that moral obligation, to help Aboriginal communities succeed—the economics alone demand national leadership because, if we fail to improve the education and job prospects of Aboriginal youth today, we will have a serious economic problem tomorrow in the north and in urban centres. So it is in everyone's best interest that we have this work underway at all levels of government.

Finally, the fifth area: Pensions. We face a serious challenge in our province and in our country: Young people are not able to save enough for their retirement. That is the fact, and fewer and fewer companies are offering the kinds of pensions that were the norm for previous generations. Only a third of Ontarians have a workplace pension plan. There is an enormous and widening gap between what people are actually able to save and what they will need to maintain a comparable standard of living in retirement, so we need national leadership to address this challenge before it becomes a crisis. And I actually have to be frank because I find myself astonished listening to some of the voices on the federal campaign trail: Only the truly short-sighted could look at a pension contribution and describe it as a tax. We know better. You know better. A pension is a real, tangible and beneficial investment in *our own* personal future and in the future of the province and the country that we share. That is not even splitting hairs. That is just what it is, so, surely, there is no one who doubts that Canadians, our economy, our society have benefited from the creation of a Canada Pension Plan. The lack of leadership from our federal government *forced* us to create the Ontario Retirement Pension Plan. We were not going to stand by and watch hardworking people move toward a retirement in which their standard of living would sharply decline. Under our plan, every employee in Ontario will by 2020 have the added retirement security of either ORPP or a comparable workplace pension plan. That is the way it should be in a province and a country that places a value on its people and a priority on ensuring that they can experience a fulfilling life in retirement.

So there is a thread that connects these five things and these priorities and actions. They are the foundation of why I have been making this argument throughout this federal campaign. True leadership is about acting today for tomorrow. It is about governing beyond the horizon and beyond the next election day. And government can do a lot. It cannot do everything, and it should not try. Much of the success that we share in Ontario and across Canada is, of course, the result of efforts of private citizens, women and men who have built farms, built businesses, created jobs, formed unions, volunteered in their communities, raised families and formed social advocacy groups and created art. But government can make a positive difference. It can contribute to building a better province and a better country so long as it is led by someone with a passion for service and a clear, sensible plan on how to invest now in a manner that will pay future dividends. So we must think beyond tomorrow, no matter what the challenges are that that thinking brings. And, frankly, that is my understanding of what we have always done in Canada. That is how we have built such a successful and enviable country—whether it is the

Canadian Pacific Railway or the CPP, or whether it is Medicare or free trade, or whether it is the Kelowna Accord. Our national leaders have looked beyond their mandate and beyond their lifetimes to move Canada forward. We need that same leadership today. We need a leader with the courage to invest in Canadians now and work in cooperation with the provinces and territories to build an even more prosperous country.

So I want to reiterate, as Premier of Ontario, I will work in partnership with any Prime Minister who is truly dedicated to building our country, but I also want to be direct with you: In this campaign, I believe that only one party has demonstrated a genuine commitment to make the investments that Canadians need today—investments that will create jobs and fuel economic growth for tomorrow and beyond. And you will not be surprised to hear that—maybe you will. Do you know what I am going to say? You will not be surprised to hear that it is why I hope that, on October 19th, the province that embraced me and my party last year will support Justin Trudeau's Liberal Party and their clear plan. It is not like I have not said it before.

That is the position that I am taking, but let me conclude with this. Most of you in this room will be familiar with the legacy of Nellie McClung. She was the daughter of an immigrant farmer. Nellie was formally schooled for only a handful of years, and she did not learn to read until she was ten, and yet she became a prolific author and an outspoken advocate for women's rights. On Parliament Hill, not far from the majestic statue of Wilfrid Laurier, there is a monument to McClung and the other members of The Famous Five. It is a representation of perseverance and ambition. It is a reminder of what we can all achieve when we set our minds to it. Nellie McClung spoke and wrote passionately about the urgency of progress. There is a simple but inspiring line that she used that has stuck with me, and she said and I quote, "Yesterday's successes will not do for today."

We should be proud of our past accomplishments, but we have to be motivated by the need to press on as we search for true equality, greater opportunity and security for all. Those are such important goals, and we have to keep reaching for them. But achieving them today requires bold and confident national leadership, so when you make your choice on October 19th, I hope you will be thinking not only of today, not only of ourselves today, but also of tomorrow and the *many*, *many* lives that are going to be shaped by the decision that we make together. *That* is the thought I hope you take into that ballot box.

Merci. Meegwetch. Thank you.

Note of Appreciation by Thomas Chanzy, Director, Empire Club of Canada

Thank you, Gordon. My name is Thomas Chanzy, as Gordon just said. I am the Vice President of Public Affairs at the Ontario Trillium Foundation. I am not speaking on behalf of the Foundation. I am speaking because I am a Director at the Empire Club of Canada as well, and it is an honour for me to thank Premier Wynne on behalf of the Empire Club and its guests today. We have been privileged, the Empire Club, these recent days with the visit of the Premier of Alberta on Friday and the visit of the Premier of Ontario today. Thank you for your passionate speech on the topic that I know is close to your heart. It was pretty obvious. I am not going to comment. That is not my role. I will leave it to the media in the room, but when I say that you delivered a passionate speech, I really mean it. You were blunt. You were direct. You spoke with passion. You spoke with determination. You spoke with sincerity. I have had the chance to hear you speak publically many, many times, and, every time, we can feel how authentic you are, and, every time, we can feel how genuine you are. It is something that we hear a lot when you speak from the people who are listening to you.

I think that speaks to your character, and every time I listen to you deliver a speech, it reminds me of one of the first times I met you. You may not remember it, Premier, but allow me to remind you, and we have not prepared this, so you do not know what I am going to say. But you know I am in the communications field. I need to tell a story to thank you today, so allow me to share a personal story with our audience.

For those in the room who do not know me, I actually worked at Queen's Park for five years. I worked for Madeleine Meilleur, who is in the room. I was a communications advisor and then her Chief of Staff, and I jointed Mme Meilleur in 2008. At the time, you were Minister of Education, and I swear I had the accent before working for Mme Meilleur. So one of my first assignments when I joined Queen's Park was actually to work with the office and with my good friend, Pierre Cyr, who is here, to organize monthly Francophone social events for you. I believe that at the time you took summer classes in Trois-Pistoles in Québec, and you wanted to practice your French with French-speaking people living in the GTA. You remember? Yes? So this is why I am telling this story: What was fascinating is that at those gatherings, you did not know who would show up. Like, Pierre and I were sending invitations, and you were very open, direct, very candid and ready to talk to anybody who would show up at those events. They were not focus groups. There was no agenda at all. You just wanted to speak French on matters that were on people's minds at the time. Why I am telling this story is because I could see again the candor, the sincerity that you showed at those Francophone social events. And I am sure that I am speaking about those Francophone events because I know them, but I know you behave the same way with all the other communities. So some in the room may not agree with your policies or your ideas, and that is fine. But there is one thing that we can all agree on: Today you spoke with passion. You spoke with determination, as I said. And, in fact, you spoke from your heart, and, Premier, thank you, for opening your heart to the Empire Club today. Thank you. Merci.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Thomas, and, thank you, once again, Premier. I would like to also thank our generous sponsors today. Ladies and gentlemen, Northland Power, for sponsoring our main event, Manulife for sponsoring the VIP reception and Bell Canada for sponsoring our student table. Also I would like to thank the *National Post*, which is our national media sponsor and Rogers Television, our television broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event right around the world.

Please, follow us on Twitter at @Empire_Club and follow us online at empireclub.org. You can also follow us on Facebook, LinkedIn, and Instagram.

And, please, join us again. We have got some great events coming up this fall. Ladies and gentlemen, next week we have Dr. Graham Sher, the CEO of Canadian Blood Services, stopping by. He will be here on October 13th at the Arcadian Court. The following day, October 14th, Michael Medline, the President and CEO of Canadian Tire, will be at the Arcadian Court as well. And, while I see so many red ties in the room, I should also mention that Minister Glen Murray will be joining us on November 5th at the Sheraton Hotel. And, finally, on December 8th, you will not want to miss the Governor of the Bank of Canada, who is going to come by and do a major address on Canada's economic performance over the past year and how that bodes going forward for 2016.

Thank you, ladies and gentlemen, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

DR. GRAHAM D. SHER
CEO, CANADIAN BLOOD SERVICES:

A BRIDGE ACROSS SILOS: CANADIAN BLOOD SERVICES FOR INNOVATION AND BETTER VALUE IN HEALTH CARE

October 13, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

So, good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. For those of you joining us through either our webcast or our podcast, welcome, to this meeting today.

Before our distinguished speaker is introduced, it gives me great pleasure to introduce you all to our head table.

HEAD TABLE:

Distinguished Guest Speaker:

Dr. Graham D. Sher, CEO, Canadian Blood Services

Guests:

Ms. Anne-Marie Applin, Director, Empire Club of Canada
Mr. Rob Brouwer, Canadian Managing Partner, Clients and Markets, KPMG

Mr. Ted Griffith, Director, Empire Club of Canada

Ms. Leah Hollins, Board Chair, Canadian Blood Services; Recipient, Order of Canada

Hon. Mitzie Hunter, MPP Scarborough–Guildwood

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

It also gives me pleasure to acknowledge the presence in our live audience today of a couple of special guests. I believe Bill Morneau, the federal Liberal candidate for Toronto Centre is with us and Han Dong, the MPP for Trinity-Spadina. Welcome, gentlemen. Now, ladies and gentlemen, please, welcome Mr. Rob Brouwer from KPMG to introduce Dr. Sher.

Introduction

Thank you, and good afternoon, folks. KPMG is delighted to have this opportunity to sponsor Dr. Sher's presentation to us today on collaboration and leadership for innovation and better value in healthcare. KPMG, as one of the leading healthcare consultancies globally and in Canada, is committed to working with governments and healthcare providers all over the world to helping to improve the performance of healthcare systems all over the world.

Canada is well-served, indeed, by Canadian Blood Services, which Dr. Sher has led for the past 14 years, and has shown itself to be a leader in innovation and collaboration working with and serving the needs of all of the provinces and territories in Canada, except Québec. Dr. Sher and Canadian Blood Services recently announced another major milestone for Canada: The successful launch of Canada's own public stem cell Cord Blood Bank, a critically important initiative for all Canadians.

Dr. Sher has been with Canadian Blood Services since it began operations in 1998 and has led the transformation of that organization as CEO since 2001. Dr. Sher is a globally recognized leader on healthcare innovation, sits on a number of blood system and healthcare related boards and advisory bodies and has provided consulting support to other countries in the transformation of their blood systems. He is a passionate advocate for healthcare system performance improvement and policy development and speaks from a platform of success at CBS.

A hematologist by training, Graham acquired his medical and doctoral degrees in Johannesburg and his specialty certification on staff at the Toronto Hospital. He was there a physician and on faculty at the University of Toronto. Outside of his professional and family life, Dr. Sher is also an avid photographer, and I can personally attest, as I am fortunate enough to have one of Dr. Sher's works, that not only is he avid, he is also pretty darn good. So with that, ladies and gentlemen, I give you Dr. Graham Sher.

Dr. Graham Sher

Thank you, Rob, for that very kind introduction. And thank you to the Empire Club for the opportunity to speak here today, and, welcome, to all our special guests.

As I was saying to some folk just before the event started, I am glad that the Blue Jays are not playing this afternoon. Go, Jays, Go!

You likely know Canadian Blood Services as the organization that manages the country's blood supply system, and this is no small task. We operate a national system spanning all the provinces and territories of Canada, except Québec, which has its own blood system, and we are responsible for meeting the needs of hospitals and patients right across the country in terms of blood and blood products. We do this through our 4,300-strong employee base operating out of 40 facilities from coast to coast and relying on a donor base of over 425,000 Canadians. Our revenue derived from the provinces and territories is just over $1 billion annually. Given the legacy of the tainted blood scandal in Canada, from which our organization was created, our singular focus at all times is to operate a system on which Canadians can rely and which they can trust. Retaining trust underscores every decision we make.

Our name, Canadian Blood Services, emphasizes our responsibility for the blood program, but it is less well known to many that we also bulk purchase a portfolio of plasma-derived drugs and related biologics worth about

$500 million annually, that we manage the OneMatch Stem Cell and Marrow Network for Canadian patients needing a stem cell transplant, that we operate Canada's national public umbilical cord blood bank and that we lead aspects and collaborate in a national system for organ donation and transplantation.

Our unique value proposition to the federated health systems that exist in Canada is precisely this: We are the only federally regulated, provincially and territorially funded, pan-Canadian healthcare delivery organization.

As we near the end of one of the longest and most contested federal election campaigns in many years, I am struck by how little healthcare matters have been part of the election discourse. While there is finally some discussion on healthcare within the election debate, the amount and the depth of that dialogue is, in my opinion, not in line with how Canadians view healthcare as an important matter to their lives.

In the recent report from the Advisory Panel on Healthcare Innovation led by Dr. David Naylor, several important themes were raised, such as greater collaboration for healthcare innovation, better value in the procurement of drugs, refocusing the healthcare systems on patients and innovation to enhance the quality and sustainability of health systems.

The pan-Canadian platform from which Canadian Blood Services operates, affords us a unique perspective on health system issues in this country, and I want to explore some of these themes today, both because they resonate strongly with our vision at Canadian Blood Services and because we have experiences that can usefully inform these debates.

I will start to do that by sharing two patient stories that showcase improved health system performance and patient outcomes as well as equity and access to care. I have chosen these stories among so many important ones because they stand out of examples of what can be done from greater collaboration for healthcare innovation.

The first story is about Eileen. She needed a kidney transplant. Unfortunately, Eileen relied on dialysis for 15 years because of the challenges brought to bear by her highly sensitized immune system. Sensitization happens when patients are exposed to other people's tissues through previous pregnancies, organ transplants or blood transfusions. Like hundreds, if not thousands, of other Canadians experiencing kidney failure, Eileen developed antibodies to these foreign tissues that prevented her from finding a potential match within the limited number of organ donors available for transplant in her region.

This past April, however, her transplant finally happened. A suitable kidney was identified from a deceased donor through a program called the Highly Sensitized Patient Program or HSP. This is a new pan-Canadian, organ-sharing program developed by Canadian Blood Services in collaboration with provincial organ transplant programs and health system partners and ministries across the country, including Québec. This is a truly pan-Canadian program. In recent months, the HSP program has given real hope to highly sensitized patients, like Eileen, who typically wait the longest for kidney transplants. This program gives these patients priority access to a broader national pool of organs for transplant, as opposed to the smaller pools of organs available within provincial or regional health systems. Provincial organ programs support this prioritization because the greater size of the national organ pool gives this disadvantaged group of patients a more equitable chance at finding a match.

I am pleased to say that Eileen is one of almost 150 people who received a kidney transplant since this innovative, nationally cost-shared program began less than two years ago. Without this pan-Canadian approach, these 150 patients would likely continue to live decades of their lives on waitlists and heavily tied to their expensive dialysis regimens. The HSP is the latest addition to the Canadian Transplant Registry, which is home to three programs for interprovincial organ listing and sharing, the Kidney Paired Donation Program and the National Organ Waitlist being the other two.

The Canadian Transplant Registry is a perfect example of pan-Canadian innovation and collaboration. It is managed independently at a national level. It enables the work of provincial organ donation and transplantation programs, each of which is able to retain jurisdictional delivery and local decision-making, while working collaboratively toward and ensuring national performance standards. In managing the infrastructure for this web-based system to organ donation and transplantation, Canadian Blood Services is guided by interprovincial policy, as well as evidence-based, leading practices that have been developed collaboratively with health system partners.

The Canadian Transplant Registry is about building bridges across silos. It is about sharing scarce resource across provincial jurisdictions and acting together as a single nation to improve access. Within this context, innovation means thinking differently about our health systems and scaling up solutions at the national as well as at the provincial levels for the benefit of all patients. In bridging these silos of provincial health systems, innovative solutions, such as the Canadian Transplant Registry, neither undermine nor diminish constitutional and jurisdictional boundaries. Rather, they refocus health systems on the needs of patients; they promote sustainability; and they add value. Simply put, they allow the Canadian healthcare system, if one believes there is such a thing as a single Canadian healthcare system, to achieve levels of performance that no single provincial system could achieve on its own.

For every kidney transplanted in Canada, studies have shown that there is a cost avoidance of approximately

$50,000 per year per patient. Given that today more than 360 people have received transplants through the Kidney Paired Donation Program, the most mature amongst the Canadian Transplant Registry, we estimate that roughly $18 million annually is now able to be redirected to other health system needs.

Some of you may have seen media coverage recently about a patient awaiting his kidney transplant through the Canadian Transplant Registry. Noting that the story did not give the full context and picture, it is true that from time to time challenges may occur in transplanting very hard-to-match patients in a timely basis.

The second story I want to share with you is about Reg. He was born with common variable immune deficiency. Throughout his childhood, he suffered from many serious infections due to this condition, and, at age 14, he began monthly infusions of intravenous immune globulin or IVIG to help protect him from these infections and keep him alive. In his early thirties, Reg was diagnosed with sarcoidosis, an immune disorder involving growth of tiny collections of inflammatory cells in different parts of the body. In Reg's case, his lungs were devastated, and he began taking IVIG every two weeks, instead of monthly. In his mid-forties, Reg's lungs and liver failed, and, after multiple life-threatening complications, he had a double lung and liver transplant in March of 2014. Reg has had a pretty rough ride. Without regular treatment with appropriate medications, he likely would not have survived into his forties, let alone managed the lung-liver transplant. Today, he continues to battle these infections that require multiple platelet infusions, as well as ongoing treatment with IVIG.

IVIG is a life-saving drug derived from human plasma. Since its inception in 1998, Canadian Blood Services has provided universal access to expensive biological drugs, such as IVIG, to all patients in need across Canada. There is no question of inability to access these life-saving drugs and no differential access across jurisdictions. This means that if Reg moves to another province, he will still have access to the medicines he needs to survive. Reg's freedom to do this stands in stark contrast to the experience of other patients who often face unintended, but potentially debilitating postal code lottery consequences when it comes to access to certain medications.

Canadian Blood Services provides this pan-Canadian service through a bulk purchasing program that leverages capabilities within the blood system to achieve best prices for these biological drugs on behalf of the provinces and territories while driving added value into the process.

This approach, however, is about much more than simply bulk purchasing to supply the 700 plus hospitals we serve in Canada. It also creates a pan-Canadian platform from which we deliver multiple benefits to the provincial health systems. These benefits include a comprehensive operating system for the acquisition, warehousing and delivery of biological drugs, a publically tendered RFP process focused on cultivating diversity and security of supply, additional layers of safety, quality assurance and risk management, medical expertise and leadership in appropriate utilization of these products, enhanced patient and stakeholder involvement in product choice and, of course, the proven negotiating power for cost efficiency. These are all things that Canadian Blood Services is able to bring to the table on behalf of the stakeholders it serves.

Equity of both access and quality on this pan-Canadian scale seems unusual in today's healthcare system, does it not? Likely, and so does Canadian Blood Services' integrated approach to the national service delivery which helped enable Reg's access to IVIG, platelets and organ transplants when he needed them most. Here, too, innovation means thinking differently about health systems. Within the context of bulk purchasing, it means being more than a clearing house for best prices by building policy-driven, value-added services into the practice. Within the context of integrated national service delivery, it means leveraging pan-Canadian platforms to help patients receive optimized care, a continuum of preventative and curative services according to a patient's need over time and across the different levels of Canada's health systems.

Eileen's and Reg's stories are real. Their experiences are windows into our organ donation and transplantation and bulk purchasing programs. But, these are only two of our offerings. In fact, all of the programs, all of the organization's programs and services have one common, essential factor: An ongoing commitment to cross-jurisdictional collaboration in health service delivery.

I would like to speak more broadly for a moment about how this commitment became and today remains a reality. And, as I do that, I will continue to explore the other themes I raised at the beginning of my talk: Innovation; equity and access to care; and, ultimately, better value to both healthcare systems and patients who rely on these systems.

In the case of biological drugs, equity of access is the norm in Canada because of a policy decision made by federal, provincial and territorial governments in 1997 when they were forming the blood system at the height of the tainted blood scandal. At that time, governments chose to establish something unprecedented and unique to operate across Canada's provincial health system and the service delivery silos: A pan-Canadian, cost-shared, patient-centred system where blood and blood products are collected, manufactured, procured and distributed nationally, a system where blood, blood products and stem cells for transplantation remain available to all patients at no direct cost. Whether they live in Edmonton, Alberta or Edmundston, New Brunswick, these biological products are accessible within the country's insured health systems.

This pan-Canadian approach required political courage, leadership and collaboration from both federal and provincial governments. It required a governance framework that challenged jurisdictional orthodoxies and which today requires constant nurturing in order to remain relevant, viable and sustainable. Canadian Blood Services is regulated by Health Canada under the Federal Food and Drugs Act and is funded in large part by the 12 provinces and territories we serve. The health ministers of the 12 jurisdictions, as corporate members or shareholders of Canadian Blood Services, appoint our board of directors. The organization is an independent, arms-length, not-for-profit corporation and, most importantly, is not an agent of any one government, while it remains accountable to the collective of the provinces and territories we serve.

Within this governance framework, decisions can be made free of political and jurisdictional constraints, striving only to deliver the right service or the right product to the right person at the right place and at the right time, rather than being rooted in individual jurisdictional boundaries and priorities. Delivering on our mandate this way leaves us free to maintain operations where they are needed to best serve patients and where they provide optimal value to the health systems. Supported by this governance structure, the universal access to over 35 biological drugs enabled through Canadian Blood Services bulk purchasing program, in effect, achieves many of the requirements of a national pharmacare program for some patients.

Driving system performance improvement at the national, pan-Canadian level is not easy, and progress can sometimes be frustratingly slow. I described some successes in the area of organ donation and transplantation, such as the Canadian Transplant Registry, improving access to organs for those patients hardest to match.

While a national system for organ donation and transplantation is taking effect, organ donation and transplantation has not benefitted from the wholesale reform that we saw with the blood system starting in 1997. Levels of performance and regional disparities in access remain a problem today. The numbers make it clear that more must be done. Nationally speaking, in terms of per million population of deceased donors, Canada's performance is still half that of top-performing nations and still trails countries with far fewer health resources than our own, including Latvia and Uruguay. Canada is most certainly not owning the podium when it comes to organ donation and transplantation.

According to the Canadian Institute of Health Information, as of December 31, 2013, approximately 4,400 patients in Canada were on waitlists to receive a kidney, lung, heart, liver, pancreas or bowel transplant. In that same year, 2013, 245 Canadians died while waiting for a transplant. That is about one every 36 hours. As someone who is committed to improving health system performance and as we celebrate World Day of Organ Donation and Transplantation later this week on October the 17th, I find those numbers awfully hard to accept.

Adding urgency to the situation is the growth of dialysis in Canada. Dialysis use is exploding as the population ages and as the number of people with diabetes and end-stage kidney disease rises exponentially. For a variety of reason, it is unlikely organ transplants will ever be as universally available as blood products, but we can do more to plan for what we know is coming. Although Canadian Blood Services is well positioned to support and facilitate further interprovincial collaboration, both continued investments in frontline provincial delivery and governance are needed for the organ donation and transplantation system to gain more ground in this country.

The broader point I would like to make with these stories of patients and the programs that serve them is that, under the right circumstances, federal and provincial governments are able to do more together than either can do on their own. While healthcare necessarily falls under provincial jurisdiction, federal, provincial and territorial governments can and do collaborate for improved health system performance. Canadian Blood Services' experience is the proverbial "proof in the pudding." Together, governments *can* think differently about how health service delivery programs empower innovation across jurisdictions for the benefit of all patients. It should not take crises or failures in health systems, such as was the case with the blood system in the mid-1990s, for governments to convene key stakeholders from across the country and collaborate in the spirit of leadership and consensus. Visionary policy decisions that lead to decades of great value for health systems and Canadian patients can and ought to be made using evidence as a basis, prior to imminent system collapse and unconstrained by orthodoxies and traditions. As we face the dual realities of fiscal restraint in an aging population, we, as health system leaders and partners, have a crucial role to play to promote innovation and improve health system performance.

In addition to the examples I have spoken about in our biological program and the Canadian Transplant Registry, for Canadian Blood Services, leadership and innovation also means mobilizing knowledge and experience to enhance value and to effect sustainable performance improvement across systems. As an example, our organization championed and led the development of an international risk-based decision-making framework doing so through the alliance of blood operators, a network of over 90 blood system operators from Europe, North America, and Australia, of which Canadian Blood Services was the founding member. The result of this international collaboration and innovation is a pragmatic and principled, internationally applicable framework that better guides major policy and operational decisions regarding blood safety and which takes into account evolving technologies, societal issues, health economics and stakeholder expectations.

When I began my talk today, I referred to the recent report from the Advisory Panel on Healthcare Innovation. One of the main points from that report is that within and across our provincial health systems, we have trouble scaling up innovative, successful solutions to the problems we face—*serious trouble.* We have no shortage of innovative thinking or functional solutions, but often we are unable to work together to achieve breakthrough performance. I believe today's arms-length management of our business and the experiences of patients, like Eileen and Reg, stand as an example of what is possible when we do scale up. Innovative leadership in Canadian healthcare is about doing things differently and setting up conditions for success.

In Canadian Blood Services' experience, this has taken place through the pan-Canadian collaboration making the whole more than the sum of its parts. This is not to say that the approach is easy or that there should be a national solution for every healthcare problem we face. As many of you with experience in interprovincial relations will know, differing political realities and fiscal constraints across the country make collaboration and decision-making highly challenging by nature. But, collaboration, coordination, and consensus are doable and the dividends are what we all strive for: Better health, better system performance and greater value for Canadians.

So, no matter who is in power federally after October 19th, I urge them to look at what is working within Canada's health systems and forge ahead. Together with its provincial and territorial counterparts, the federal government can play an essential role in enabling and replicating successes. And where there are gaps in value, equity and access, I hope that our next federal leaders will seriously consider innovative calls for renewal and promote innovation to bridge the divide.

Leadership and collaboration across jurisdictions can be game-changers in creating better, more equitably accessible healthcare in Canada. Let us have the courage to move beyond the current paradigms and build more bridges across silos. Together we can deliver the kind of healthcare that Eileen and Reg are counting on.

Thank you very much.

And I guess I would be remiss if I did not take this opportunity, as the CEO of Canadian Blood Services, to say there are many ways you can all get involved. Become a blood donor, a stem cell register and organ donor. Sign your organ cards. Become a corporate or community partner. Support us financially. Volunteer. We are all counting on your help. Thank you very much.

Questions & Answers

Q: Obviously, no one in this room would ever ask the question why Québec is not served by Canadian Blood Services. We understand that politically, but what is the difference? Is there any difference in the services that they offer to their jurisdiction, and between the two of you, do you have some kind of a best practices exchange in place?

GS: Yes, I will not answer the first part of the question in the interest of time, but they do operate a provincial blood system almost identical and analogous to what we do across the rest of the country—the same products, the same services, their market space being the hospitals and patients in Québec. There are numerous, very close agreements and collaborations between Canadian Blood Services and Héma-Québec. We have shared supply agreements. We have a collaborative research and development agreement, and we have several mechanisms whereby products can be moved between the two jurisdictions. We both operate under the same federal regulations and have to achieve the same standards in quality.

We essentially have almost a mirror operations in Québec and in the rest of the country, and so there is regular and frequent sharing of best practices between the organizations as Canadian Blood Services also does with its international partners. I mentioned the Alliance of Blood Operators in my remarks. We do a lot of international best practice and benchmarking comparisons to make sure that the blood system in this country is always remaining state-of-the-art. One of the findings that Justice Krever noted in his Federal Commission of Inquiry on the Blood System in Canada at the height of the tainted blood scandal was that the blood system in Canada had fallen behind the international standard of care. So, best practice and benchmarking comparisons are critically important to make sure that what we are doing is always on the leading edge of safety, quality and sufficiency of supply.

Q: My name is Ian Hilley. I am the president of the Canadian Hemochromatosis Society, but, as you can guess, I was born in another country. I understand the roots of the Canadian Blood Services. We went through a very dreadful time in the 1990s. We have very restrictive criteria for people to make donations. Can you talk to any innovation in broadening the population that could give donations because we frequently see every summer a desperate campaign for more blood?

GS: Thank you very much. Yes, I mean, the bottom line of it is we do have very rigid criteria for who can be a blood donor and who not. And our criteria, by the way, are in line with very similar criteria used around the developed world, so we have all sorts of restrictions based on people's medical condition, the drugs that they may be taking, their travel practices, their sexual practices, their health circumstances and a long list of criteria that would deem people to be either eligible or ineligible to be a blood donor. The primary reason for that is two-fold: One is to protect the health of the donor, so do they have a health condition, or might they be taking a drug that, if they donated, a unit of blood would actually cause them harm? The second and perhaps most important, larger reason is could a donation from that individual be harmful to the recipient? We also have multiple other layers of safety.

I was telling a colleague at the table that we really operate a belts-and-suspenders safety system in this country, as most blood systems around the world do, where the questions we ask donors is just one layer of many in the safety profile, including the testing of blood, the manufacturing, the processing and a variety of other things that we do. So, why do we continue to keep these very restrictive criteria—and it is true we lose many thousands of donors a year to these criteria? In large part because we cannot test for everything.

There are many agents we do not know about and so, you have to rely on multiple, as I say, layers in the system of safety. That said, Canadian Blood Services is always revising and refining the criteria that we have in place today. The one that got the most attention publically—and it is the most controversial by far—is our policy of excluding men who have sex with men. Used to be a lifetime deferral. We reduced that to a five-year deferral now. We are in the process of submitting data to our regulator to reduce that even further to a one-year deferral. So, that is an example of where we always apply scientific evidence and emerging knowledge to modernize our criteria, and there are many, many other cases with which we do the same. Until we can institute a new technology—and Canadian Blood Services is actually now in clinical trial with a technology known as "pathogen reduction"—we will continue to rely very heavily on these broad, blunt instruments of asking donors a long laundry list of questions. But, there is another technology that we are seeking to implement now that will render blood safer than it is and, therefore, less reliant on some of these questions.

Q: **My question is could you just give us a little bit more information on the cost difference between dialysis and the transplant options that are available, and maybe you could just give us a bit better detail on that?**

GS: Yes, sure. So, in health economics, the difference between remaining on dialysis and receiving a kidney transplant is probably one of the single most cost-effective health interventions that our health systems do today, and the numbers are more or less like this. Once a patient has end-stage kidney failure, and if they remain on dialysis, there is an annual ongoing cost to their dialysis program, which runs in the many, many tens of thousands of dollars per year per patient. So, that is the cost of the equipment, the disposables, the medical staff to provide the dialysis, plus there is also tremendous lost quality of life when individuals are tethered to the dialysis instruments multiple hours a week, but the costs are in excess of $60,000 to $80,000 per year per patient.

A kidney transplant is a one-time, very expensive intervention. So, a transplant can cost north of $120,000 in today's healthcare systems, but that is a one-time cost, and, thereafter, if the transplant is successful, the only cost that the patient incurs is the ongoing cost of their drugs to prevent rejection. But, there are numerous health economic studies done all over the world, including in Canada, that show as you then carry out years post-transplant, the differential between remaining on dialysis and that one-time cost of the transplant amounts to about a $50,000 saving to the healthcare system—or cost avoidance, I think is probably the more accurate term. There is a $50,000 cost avoidance per patient per year for as long as that transplanted kidney remains viable. So, certainly on a health economic basis, kidney transplantation versus dialysis is a highly effective intervention in freeing up resources to be applied to other patients needing those resources.

Q: Hi, my name is Ken Hughes. I am the CEO of iTP Biomedica, a diagnostic company, and I also was not born here.

GS: That is true for a lot of us.

Q: Exactly. Back to the issue of donation, I, like you, find it absolutely outrageous that people die waiting for donations because people have not signed their donor card. How would you approach improving participation for the poor unfortunates who could be donors in this regard, be it presumption to donate or, indeed, just a better education process because right now people are dying because of a combination of political correctness and being bone idle?

GS: That is a very good question. So, two problems, I think, are prevalent in Canada at the moment: One is we have a provincially based donor registration—we are talking about organ donations here, so every province operates its own system. In some provinces, it is a driver's license signature. In some, it is an online registry, such as we have here in Ontario and in British Columbia, so there is a potpourri of different ways that donors can register to be an organ donor across the jurisdictions.

The second problem is there is no automatic availability of that information at the point of care, so if, heaven forbid, you are an Ontario citizen, but you are involved in a motor vehicle accident in New Brunswick, there is no immediate knowledge that you have signed up to be an organ donor. So, what we have not built is those intra-operable systems in this country or, in fact, a single pan-Canadian registry for all organ donors in the country.

The second problem is that even if you have indicated your consent to be an organ donor, what families often do is override the wishes of their loved one at the time of grief and when, obviously, their family member is imminently dying. And so, what is missing is what the physician colleagues that we work with in the intensive care settings call "a culture of donation." We do not have a lot of physicians and nurses trained in the intensive care to have the very difficult conversations with families in their time of grief to go up to them and say, "You know, your loved one had signed their intent to be an organ donor. We really need to move quickly now in order to retrieve those organs." Many physicians and nurses are reluctant to have those conversations, and we are noticing in the provinces and in the regions where physicians have really taken an active step to get involved in promoting organ donation, the rates of organ donation are a lot higher. So, there are both the registry pieces and the culture of donation piece.

And the third comment I would just make because you raised it, this notion of presumed consent, is there are some countries in the world that there is an act of legislation where every citizen is automatically presumed to be an organ donor unless you opt out, so it is the negative cable billing phenomenon. The countries Luxembourg, Portugal, Spain—a number of European countries—have it. The United Kingdom looked at the whole notion of presumed consent and decided not to adopt it. We have actually done several times over the past few years polling of the Canadian public, and it is just about 50-50. Almost less than half of Canadians are actually in favour of presumed consent. There is this whole notion that the state will take control of my organs.

So, even if we were to implement presumed consent, it is not necessarily the panacea to the problem. Countries, like Spain, which actually has the highest rate of organ donation in the world, acknowledge that presumed consent helps, but it is the culture of donation they have created in their institutions that really drove system performance improvement. So, it is a very interesting societal debate that we, as a society, have to come to terms with. As you say, many of us signal intent, but then the action does not get carried through for a whole variety of reasons that are not optimized within the system, another reason for collaboration across jurisdictions.

Note of Appreciation by Ted Griffith, Director, Empire Club of Canada

Thank you, Gordon. Thank you, Dr. Sher. I am in a rather unique position. Not only am I the Vice President of the Empire Club, I used to be an employee of Canadian Blood Services when it first came into being in 1998, so I will apologize for a moment where once you are a blood donor recruiter, you are always a blood donor recruiter. So, I can probably make a little pitch a little bit stronger than the genteel notion of the CEO, the present CEO. I would like to ask a question here: How many people in the room are blood donors? Wonderful. How many of you in here who are not blood donors would consider yourself healthy people? Thank you very much. Names and numbers will be taken at the back door. Organ donations as well.

I was astonished with this presentation, because I left the blood system in about the year 2000, and I am so excited to see CBS take its position of being this national pan-Canadian organization, which is sharing knowledge and making the system more efficient because you become the most prominent healthcare service delivery organization in the country. And we need to take more pride in it; we need to learn from that collaboration. And the healthcare system is not a place where it has the most benefit, and it sometimes has its own barriers.

I will tell one quick story: When I was in charge of blood donor recruitment in Vancouver, I always learned that cancer patients need blood. And so, I was putting together a program, and I was getting endorsements from various people about donating blood, so I contacted the BC Cancer Agency. A friend of mine had a similar role there and said, "Okay, I'll poll some doctors for you, get some quotes. No problem," and the answer came back: "Blood donations have nothing to do with cancer treatment." And I was explained, "Of course, you're right because there are oncologists, and they deliver chemotherapy drugs, etc." But, of course, what those oncologists were not seeing was that if somebody did not have enough red blood cells in their system, they could not receive the chemotherapy. Those two little points, we had to work hard to bring together in a small place like British Columbia.

So, I will say that when I hear stories that people are dying for lack of blood, lack of organ transplants, and it is because we do not have a national system to put it together, it seems—I am sorry to say—downright shameful. This country needs to work together in all ways. It benefits when it works together in all ways. We have no higher calling than taking care of our children and our health for the rest of our lives, and I wish to congratulate Canadian Blood Services for the work you are doing in leading us in that basis. And I would encourage everybody to, first of all, donate blood or be a volunteer. That long laundry list now you have to deliver to people, but, please, it is a great organization and Canada is now leading by leaps and bounds as opposed to, when I became involved, playing catch-up. So, congratulations, Dr. Sher, and thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Ted, and thank you again, Dr. Sher, for an excellent presentation. Thank you to our generous sponsors today, particularly KPMG, for sponsoring this event. We would also like to thank the *National Post*, which is our national print media sponsor and a special thanks as well to Mediaevents.ca, which is Canada's online event space, for live webcasting today's event at a global level. Follow us on Twitter, ladies and gentlemen, at @Empire_Club and, please, visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram.

We have got a lot of great events coming up in the coming weeks. We hope you will be able to join us. Tomorrow, we welcome the President and CEO of Canadian Tire, who has decided he wants to speak to the country about the great challenges in the new digital economy, particularly, for Canadian retailers. We have Glen Murray, just to mention a few. Glen Murray, the Minister of the Environment and Climate Change, will be here on November the 5th. The Governor of the Bank of Canada is coming on December the 8th to talk about where we are going in the next year as an economy, and, on Friday, we scheduled a talk by Chief Justice Beverley McLachlin, head of the Supreme Court of Canada. She will be here a little bit later in the year to speak to us about how the Supreme Court fits into the Canadian government.

Thank you very much for your attendance today, ladies and gentlemen. This meeting is now adjourned.

The Empire Club Presents

MICHAEL MEDLINE
PRESIDENT AND CEO, CANADIAN TIRE CORPORATION, LTD

on

INNOVATE OR DIE: COMPETING IN A WORLD OF DIGITAL DISRUPTION

October 14, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the 112th season at the Empire Club of Canada. For those of you just joining us through either our webcast, our podcast or Rogers Television, welcome, to our meeting today.

Now, before our distinguished speaker is introduced, it gives me great pleasure to introduce you to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Michael Medline, President and CEO, Canadian Tire Corporation Ltd.

Guests:

Mr. Kent Emerson, Director of Operations to Ontario's Minister of Finance; Director, Empire Club of Canada

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Gord Miller, TSN Sports Commentator; Jumpstart Ambassador

Ms. Mary Turner, President and CEO, Canadian Tire Bank; Chief Operating Officer, Canadian Tire Financial Services

Ms. Verity Sylvester, Strategic Search Consultant, TEEMA Strategic Search; Past President, Empire Club of Canada

Dr. Maureen Sabia, Chairman of the Board, Canadian Tire Corporation Ltd.

Ms. Mia Pearson, Founder, North Strategic

Mr. Rod Regier, Executive Director, Economic Development, City of Kitchener

Mr. Eugene Roman, Senior Vice President, Information Technology and Chief Technology Officer, Canadian Tire Corporation Ltd.

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

Introduction

Walking over to our lunch today, I passed by one the most beautiful Canadian Tire stores, I think, which always attracts a lot of attention on Bay Street, and it brought back a lot of memories. My first job was actually with the local neighbourhood Canadian Tire outlet where, in the summer of 1970, I assembled bicycles and acted as a sales associate. It was all in all a wonderful experience and taught me some basic values like responsibility and dealing with different personalities in a workplace setting. The preferred soundtrack in the store where I worked was Beatles music—an almost endless loop, in fact, of *All You Need Is Love*, which to this day strangely reminds me of bicycle parts.

While I knew that I was starting my professional existence with a truly iconic Canadian business, it was only years later that I learned how the store had its modest roots in 1909 Toronto, as the Hamilton Garage and Rubber Company. Later, in September of 1922, brothers Alfred and William Billes invested their combined savings of $1,800 to launch their first store together, The Hamilton Tire and Garage Limited, building on their association with the earlier store.

By 1937, they had opened a flagship outlet at 837 Yonge Street and proceeded to work on a catalogue and mail order system that would lead them eventually to have almost 60,000 employees and revenues well above $12 billion annually. In the process, they used advertising and slogans, such as, "There's a lot more to Canadian Tire than tires" or "Tested for life in Canada," to become part of our national identity, our collective consciousness.

When business journalist and author Rob McQueen stopped by the Empire Club on November the 29th, 2001, to deliver a speech entitled "Can't Buy Me Love," more Beatles music, about how Martha Billes made Canadian Tire hers, the store had reached such an iconic status in the minds of Canadians, that people associated with managing it, especially, if they were related to the founders, were followed with a fascination usually only reserved for Hollywood movie stars. Yet, there were already extremely serious challenges that were already emerging, which if not properly managed, risked the very existence of this icon that had become a part of every Canadian shopping experience.

Our guest speaker today, at the Empire Club, certainly has a strategy of not just keeping Canadian Tire perched in the same place, but to continue its renewal and revitalization of an organization that will allow it to continue being a fundamental part of Canada. Incumbent CEO Michael Medline is extremely sensitive to this intensely competitive retail landscape that he is now responsible for navigating the company through and the need to fully understand the new challenges of the digital age and to master them so that the Tire—as it has been lovingly called by all those close to it—will celebrate its centennial year of operations in less than a decade as a perennial Canadian success story.

Michael likes to say that, as a business leader, if you are not tracking it head on, there will be no catching up. His address to the Club today will be a call to business leaders to be at the forefront of change and to be able to demonstrate to the world that Canadians do, in fact, excel at innovation. Keeping an icon alive is not the goal; it is rather to grow that icon in the context of our own age so that it is not only a terrific Canadian achievement from the past, but rather an ever-changing dynamic and responsive operation that will also make it one of our great Canadian success stories in the future. In so doing, future generations of Canadians may well start their professional lives by assembling bicycles in one of their many hundreds of outlets across this great country of ours.

Ladies and gentlemen, please, join me in welcoming to the Empire Club of Canada, the President and CEO of Canadian Tire, Mr. Michael Medline.

Michael Medline

Thank you very much for that kind introduction and the warm welcome from all of you, and thank you to RBC for sponsoring the event today. The Empire Club is a remarkable Canadian institution, a pillar of this country's ongoing social dialogue.

As a leader of a company that is nearly as old as the Empire Club and approaching a century of operation, it is an honour to be here. Today, I am here to share some of my thoughts on innovation and the increasingly important role it is playing in business. I am sure you have all read the depressing reports that are making headlines about the state of Canadian innovation, the most recent being the Global Innovation Index, ranking everything from our universities and the state of our infrastructure to our business sophistication and our knowledge and technology inputs. Just four years ago, in 2011, the Global Innovation Index determined that Canada was the eighth most innovative country in the world. The following year, in 2012, we fell out of the top ten. This year, they have reported that Canada has fallen again, ranking number 16 behind the United States, much of Europe, Hong Kong, Singapore and New Zealand. At first glance, you could look at these reports and think Canadian innovation is at risk and has little, if any, hope of recovery—sort of like the Texas Rangers' hopes this afternoon thanks to our beloved Blue Jays.

I see it differently. To me, innovation is so much more than a list of economic indicators, rankings of investment in R&D or the number of patents a country is producing and studies where countries move up and down seemingly randomly in a four-year period. To me, innovation is about how companies are winning against global competitors, disrupting traditional business models and creating new and unexpected ways to delight customers. It is the kind of innovation that distinguishes the greatest companies in the world from the rest of the pack, the kind of innovation I am seeing here in Canada and in my industry, retail, every single day. It is a special ability to adapt, to be bold and, most importantly, to innovate. After all, it was Canada that gave the world insulin and the Canadarm; ushered in the smartphone era with the invention of the BlackBerry; and even gave us Trivial Pursuit.

Unlike any time before us, I believe innovation is more important than ever. Digital disruption is happening on a scale larger than any of us could have imagined. And, as business leaders, if we are not tackling these changes head on we will have no chance of catching up. To win, we must be at the forefront of this change. Just think about how our world has changed. The internet of things is connecting everything around us, allowing inanimate objects to learn from us and interact with us based on that learning. There will be a day, not so long from now, when the chip in your propane tank will know when your levels are low, send a message to our ecommerce site and deliver you a full tank in time for your next barbeque.

Nanotechnology is exploring ways to put healthcare robots into our bloodstream, and doctors are able to perform surgery on a patient, even though they are not physically in the same location through advances in telepresence. The number of disruptive technologies out there is astounding, but what is most exciting are the possibilities they open up, the things that can be hard to even imagine because there has never been anything like it before.

My youngest son is taking a business course in grade ten. The other night his assignment was to come up with a product that would not be disrupted. We could not come up with anything. In my opinion, every single product and service will be disrupted. I challenge you to name one product that will not be: Newspapers, telecommunications, banking, automobiles, televisions, shopping, news reporting, housing, even shoes, clothing, sports equipment and so much more. I have a Babolat tennis racket that tells me all the things I am doing wrong with my forehand. I finally had to take the battery out of it. No industry is safe from mind-boggling, massive disruption; it is only a matter of time, a matter of severity. *Someone, somewhere*, is thinking up a way to disrupt all of our businesses.

I know a few years ago some people at the Tire were wishing the computer would just go away, that the internet would just be a passing fad. Many would rather be Luddites, hoping that the disrupters and the massive change would forget about their businesses, that maybe they could retire before all the carnage comes about. Well, most of us will not have that luxury. This is the era we get to lead in.

When I was doing my MBA, computer science was called MIS, "Management Information Systems," and, for some unknown reason, I was forced to take this class. Well, I hated it. I would fake a coughing fit, leave the room and never come back just to escape the torture. Back then, who would have thought technology would be vital in running a company in the future? But it is because it is where the future is headed and where our customers are going. As I said, you do not get to choose the era you get to lead in, but once you are there, you better make damn sure you are either really good at it or you surround yourself with the best. For me, there is no other era I would rather be a part of than this one. Seismic shift is exciting, challenging. Innovations will enable us to be stronger, tougher, more flexible and, best of all, it will be good for consumers.

Think about how the customer experiences change in the retail. We hear a lot about the innovation happening in ecommerce, but one of the least acknowledged benefits of online innovation is its usefulness in helping better serve customers in stores. When a customer visits our flagship stores, we align with our online brand and create the most exciting and interactive experience on the planet, including lots and lots of screens, hundreds of channels of relevant content, RFID capabilities, smartphone interactivity and so much more—a place to be entertained, informed and engaged in a way no other brand is doing.

Now, digital disruption is a winnable game, one that the most successful innovative companies tackle head on. I believe they win because they do three things extremely well: First, they leapfrog to competition. It is easy to panic, to scramble to find ways to survive in a constantly changing industry, but those who frantically claw just to keep pace will never thrive, and you can only tread water for so long. Playing catch up will get you crushed and just as good is simply a losing game plan. Being a follower will cost you at everything, making you into a dinosaur in your customers' eyes. Getting there before anyone else will make you a winner, even an innovator. So, innovate or die: It is that simple.

The second thing innovative companies do is that they play their own game. When digital disruption upends your industry, it is easy to see which way the wind is blowing and follow, making the safe play, but you will never win if you are running plays for someone else's playbook. You need to use your own weapons. Nimble companies are those that test and learn, find new waters to compete in and innovate fast.

The last thing I think innovative companies do well is that they dream big, and they act bold. Canadians sometimes get a bad rap for being too risk averse. Some people might say that while other countries aim for gold medals, there was a time when we would cheer a personal best. That is not Canada now, if it ever was. The speed of innovation is happening at such a pace that we can no longer think, learn and work as we have in the past. The best Canadian brands are the ones striving to be world class by thinking ahead and placing their bets to be the truly innovative standouts in their industries, and it is okay to fail sometimes in a smart way.

Let us start with a strategy to always leapfrog the competition. When disruption comes for your industry, you have to move fast. Given the rate of change, reaction times are shortening, and those that simply pay service to innovation today will be devastated in the future. Those that are not putting in place the right technology investments and infrastructure will have no chance at all of catching up. Be wary of those who build on sand. Let me explain: In retail, digital innovation is completely changing the way people shop. Canadians are shopping online more than ever and massive advances are being made in ecommerce. Consumers are doing research on their phones in-store, visiting products they will eventually go home and buy online. While they are in the store, they expect to be educated and entertained through screens, content and world-class interactive experiences.

At Canadian Tire, we had a choice to make. Were we going to see how the market was shaken out and play catch up, or were we going to build a world-class technology infrastructure? Over three years ago, we made a strategic bet: We hired one of the brightest technology strategists in Canada, Eugene Roman, to lead our team, and we embarked on a digital journey to ensure we were set up with the necessary foundation to innovate beyond anyone else in our industry. I often joke that my new best friend at the company is our Chief Technology Officer, but it is actually not a joke. Today, your CTO is as important as your CFO. And if you are not already heavily invested in digital, you are putting your entire business at risk. In the past three years at Canadian Tire, we have been putting in place the necessary infrastructure and talent to be a world-class ecommerce organization.

Is our ecommerce strategy where I would like it to be? Absolutely not. We still have a ways to go, but thanks to our technology leadership, we have recruited some of the brightest minds to join us, and they have been hard at work laying the foundation for an infrastructure, which is scalable and capable of remarkable innovation. That is against constant change. The key is to get technologists and our operators working together, which is not always easy.

In 2012, we launched Operation Leapfrog, the digitization of Canadian Tire across all of our banners and thereby created 225 new digital technology positions in innovation centres in Toronto, Waterloo, Winnipeg and Calgary. We will be adding additional high-tech jobs over the next three years as we continue our progress. We have created a powerful new environment for building our ecommerce platforms, enabling our divisions to deliver a personalized, real-time online shopping experience customized to their personal preferences, location and device. When we innovate in one business unit, we are now able to scale across the others. We believe that this nimble approach will only lead to improved efficiencies, velocity and across savings, but it will provide us with the ability to refocus on other opportunities for more innovation across the business.

Over the past three years, we spent more than $300 million on our technology initiatives, primarily for technology infrastructure, but it was necessary to get us to a point where we can meet the challenges of this new reality to deliver the kind of digital services our customers now expect from us. Going forward, I expect our technology spending to actually go down marginally. Even as our customers see the real fruits of our labour, we have found ways to deliver more for less. It is a bit like rebuilding an engine. The initial cost outlay can be painful. In our case, we put in a new engine that will carry us forward for many years. Our teams have learned how to use these engines to deliver low-cost, innovative solutions to support our business growth and profitability. Our digital workshops across Southern Ontario have been singularly focused on an omnichannel, omni-retail capability, which harnesses the power of the web to serve our customers, our employees and our suppliers in ways that we could not even imagine two or three years ago. But we cannot stop there.

The key to winning at digital, as it has been for all of our innovations, will be ability to play our own game, not Walmart's not Costco's and certainly not Amazon's. You will not be seeing any Canadian Tire delivery drones any time soon. Innovation is borne of being different, not emulating others. That is how you compete and win against world champions. These behemoths will destroy us if we play their game. Playing your own game also means taking advantage of your inherent competitive advantages. At Canadian Tire, we have a lot to work with: The strong, iconic brand that Canadians love and cheer for; more than 1,700 bricks and mortar locations across this great country; a unique and wide product mix; best-in-the-country partnerships in sports; and, most importantly, our ability to dream big as we have with so many of the firsts we have brought to market.

You all have assets in your business that make you unique and strong, and leveraging those assets is what will set you apart. Look at financial services in this country: While the rest of the world teetered on the edge of collapse during the financial crisis of 2008, it was our Canadian banks that stood tall, bucked the trend and weathered the storm. They were not worried about what their competitors in the US were doing. They created a strategy, stuck to it, and blazed their own trail.

At Canadian Tire, we believe in that same philosophy. Just look at our history. While some might underestimate our digital chops based on our heritage, the truth is that innovation is in Canadian Tire's DNA. Our journey in innovation and technology started soon after the company was founded. After all, think about it: We just started right away, as you said, selling just tires. Our dealer method of business and network of passionate entrepreneurs who were driving our business and delivering a hyper-local experience to customers in communities across Canada were a unique breakthrough. The very nature of our stores was innovative. Nowhere in the world on this globe is there a product mix like Canadian Tire.

From day one, the founders, the Billes family, had the vision to do things no one else was doing. They ensured that Canadian Tire was one of the first in Canada to use a supercomputer. They created their own digital point-of-sale system in the 1950s. They had the genius to implement our unique and wildly successful dealer method of business. When you look back on those early years, you realize how far ahead of the curve we were.

Canadian Tire has always dreamed big and accomplished what it set out to do. So, while technology companies are going all in on an ecommerce-only strategy, we are creating the best ecommerce engine to power our online presence, but also leveraging our deep investment in digital to extend the in-store experience across every one of our bricks-and-mortar locations.

Earlier this year, we launched our Canadian Tire showcase store in Edmonton with 136,000 square feet of retail innovation and the best of the best of what Canadian Tire has to offer, delivering customers a shopping experience second to none in the world. Just last week, some of you may have seen that one of our banners, Sport Chek, launched a new store across the street from the Air Canada Centre in Maple Leaf Square. This is no ordinary store. This is *the* ultimate fan store in the world. No matter how the Leafs and Raptors are doing this year—and we all are hoping for the best—this store will be the epicentre of fan energy in Canada and for a global village of fans who do not even live in Canada or the great City of Toronto. It is the ultimate Leafs and Raptors experience—digitally enhanced in ways a typical store can never deliver. There is even a TSN studio.

The store will be the first in Canada—maybe the first in the world—to include a full-time sports network desk right in the store where fans can interact with the biggest names in the hockey and basketball worlds just a few steps away from the latest in-store technologies and virtual reality installations. Already, all the top Sport Chek employees want to work there. I am considering taking a shift or two there myself. Rather than have me talk about it, why do I not show you what we have created at Maple Leaf Square.

Pretty exciting stuff. It is not far from here, guys. At Canadian Tire, we have always believed in the importance of brand and creating that deep, emotional connection with customers, something we believe is often best done through real-life experiences in-store, and that means a deep investment in digital innovation not only online, but also in-store, enhancing the customer experience and surprising and delighting customers at every turn.

There is a massive role for online and ecommerce, as I can see at my own front door on the nights that I get home early and I can barely get past the entrance for all the delivery boxes, which my kids usually hide before I get home from work. Ecommerce sales in Canada are projected to reach $44 billion by 2018, and, at Canadian Tire, we have created a powerful ecommerce platform, enabling a rich online shopping experience for our customers.

It is not the only strategy. I firmly believe bricks and mortar is here to stay and will continue to be a strategic weapon for us at Canadian Tire. As our Head of Marketing, TJ Flood says, “As a business leader, you should be looking at your current business model as a 35-year-old NHL all-star, the person on the team you count on every year to score 30-40 goals. With a veteran presence, you know what to expect. You want to make sure this player is getting lots of ice time and can continue to be effective. But you also have to be investing in your future, looking for your first-round draft pick, your Connor McDavid, the player that becomes the future of the organization and, with the right infrastructure and support in place, helps carry your franchise into the future.”

Innovative companies are not afraid to dream big and act bold. You cannot be innovative if you are constantly aiming for sixes and sevens. You got to aim for tens. I actually believe there are at least a few people who think your vision is a little bit crazy; you are not trying hard enough. Some failure is okay; that is how you learn.

Our first go at creating a new in-store digital experience was our Sport Chek lab store here in Toronto. Did we pull off a number of global firsts? Absolutely. Was it perfect? Absolutely not. There is plenty in there that I wish I could have a do-over on. There is an old Nike commercial with Michael Jordan, where he explains that, over the course of his career, he missed 9,000 shots, lost 300 games and that 26 times he was trusted to take the game-winning shot and missed. The point is that you have got to take a lot of shots if you are going to be the best. The same is true in business.

A few years ago, we were working on our plan to digitize our Sport Chek flyer. We spent close to a million dollars on building a standalone Facebook app. It failed miserably. We tried a few different things, and we kept coming up empty. Eventually, we hit on a winning strategy, one that was so good, we eventually were able to start pulling our paper flyer in favour of going completely digital. Then, there was our new “My Canadian Tire Money” program, at Canadian Tire retail, which adds a digital component to our famous Canadian Tire money. Our first attempt was a test model in Nova Scotia where we started with this points system. People did not like it. They did not like it at all. Eventually, we wound up with an electronic version of our Canadian Tire Money program, and the results speak for themselves. It is now one of the top loyalty programs in the country in a year, with roughly 8 million members. We learned the hard way that people love their Canadian Tire money, and we never looked back.

Change is now coming on so fast, we can no longer act as we have in the past. We cannot maintain the status quo while we vet and analyze every decision to death before we act. The good news is that, as Canadians, we have been trained to act like this every day. Whether you are a national brand or a small, local shop, you have been there. Just look at a company like Shopify. A phenomenal, Ottawa-based ecommerce platform, Shopify was founded by a couple of guys as an online snowboard shop. How Canadian is that? Today, they are a $2-billion company that powers roughly 200,000 online stores, everyone from Tesla and the Lakers to the Foo Fighters use Shopify for their online store.

At Canadian Tire, we are actively trying to disrupt our own industry with projects like our partnership with the tech incubator, Communitech in Waterloo. We created both a shares lab with a number of startups and a recently opened digital garage innovation lab to work with some of the brightest young and old minds in this country's greatest tech centre. Canadian Tire was the first retailer in Canada to create this new, collaborative business model. Our teams are now developing revolutionary in-store digital experiences and new mobile apps that will change the way our customers shop and interact with our brand. We now have ten solution labs to the net force driving Operation Leapfrog. These solution labs are not just about developing new technologies and applications. They are about getting us outside our offices at 2180 Yonge St. and into creative spaces to help us think bigger and deliver differently.

Inspiration and innovation happen when leaders in businesses surround themselves with bold thinkers and innovative people. When they become more aggressive, impatient, willing to take risks, it is a cultural transformation, and the payoff is huge. Canada is increasingly playing a larger role on the international stage, punching above its weight in global affairs, no longer content to be left off the leaderboard at the Olympics and bringing the Canadian experience to the rest of the world.

Look at the innovation happening in this country in banking, telecommunications and software to name just a few. There is a massive opportunity out there, and I believe Canadian businesses have a unique opportunity to step up and become global innovation leaders, to become the most innovative companies in their industries and in the world. Here is my thesis: Let me use an example of an industry I am quite familiar with, retail. Despite all of the new competition coming into our market, Canada has forged many battle-hardened, adaptable retailers—national champions like Loblaw, Sobeys, Metro, Dollarama, Cara and our very own Canadian Tire. We have had to play in a relatively small but geographically disparate market. We live next door to the largest retail market in the world, and, since the mid-1990s, we have been under siege from the biggest and the best in the world. In short, we have had to punch above our weight every step of the way just to survive.

The first wave came with Walmart in 1994 and Home Depot soon thereafter. Many Canadian retailers were weak. Some failed. It was a bit of a bloodbath, but not everyone became the walking dead. Some of us survived and flourished, flexed our muscles and became stronger and more nimble.

The second wave came with Target, and we all know how that movie ended. Target ran into very tough, change-ready competition. They did not realize how strong our grocers, our pharmacies, our discount stores and Canadian Tire had become. Once again, the survivors are thriving.

Now, we are facing the third wave: Non-traditional retailers and online companies, such as Amazon. I have no doubt, no doubt at all that Canadian companies will adapt and thrive. Ecommerce should be seen by our Canadian champion retailers as a huge opportunity, not the threat as is often portrayed. It is a different challenge, but, as an industry, we are up to the challenge.

At Canadian Tire, with our culture of continuous innovation, we are committed to being the best in the world in digital and all that the world of digital entails. I believe that today we are in the strongest position we have ever been in our history of our company. Today, I am here to announce to the world that Canadian Tire has a new vision, a vision to become the most innovative retailer on the planet, and we will not rest until we have reached our goal. For months, we have been talking about this vision internally, and I can assure you that everyone in our company, from our team to our board to our associate dealers, is committed to seeing this journey through.

To our customers, you are not going to believe what we have in store for you, and, to our competitors, all I have to say is that you better be ready to bring your A game because we are in it to win. To my fellow Canadian business leaders across all industries, today I am issuing you a challenge: Invest in innovation; embrace the digital disruption; commit now to having the courage to be the most innovative company in your industry. And together we will help create a new dawn for Canadian innovation, one with a stronger economy, more jobs and hope for the future. Thank you very much.

Note of Appreciation by Verity Sylvester, Past President, Empire Club of Canada

It is really hard to come up and say anything after that. Mr President, distinguished guests, fellow members and guests of the Empire Club of Canada, I have the honour to express our thanks to Mr. Michael Medline. For joining us today, we applaud you. For highlighting innovation and the risks that will determine the direction and, ultimately, the success of Canadian business in coming years, thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Verity, and thank you to our generous sponsors today, RBC for sponsoring our event. We would also like to thank the *National Post*, which is our national media sponsor and Rogers Television, our national broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for globally live webcasting today's event. Follow us on our many social media sites, LinkedIn, Facebook, Instagram and, of course, our website empireclub.org. Please, join us again. We have some wonderful events coming up for the remainder of the fall and into the New Year. We have just secured for October the 29th, Indian High Commissioner, Vishnu Prakash, who will be here to talk about the future of trade agreements between Canada and India. Glen Murray, our Minister of the Environment and Climate Change, will be here on November 5th. The Governor of the Bank of Canada is going to be at the Empire Club on December the 8th to talk about the future of the Canadian economy going forward. And we just booked yesterday, Chief Justice Beverley McLachlin, who will be with us next June 3rd. She will talk about the Supreme Court and its position within the Government of Canada.

Ladies and gentlemen, thank you for your attendance today. This meeting is now adjourned. Thank you.

The Empire Club Presents

VISHNU PRAKASH HIGH COMMISSIONER OF INDIA TO CANADA:

October 29, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From 1 King Street West, in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. For the many, many thousands of you joining us either through our global webcast, our podcast or Rogers Television, welcome, today to our meeting. Now, before our distinguished speaker is introduced today, it is my great pleasure to introduce our head table guests.

HEAD TABLE:

Guest Speaker:
Mr. Vishnu Prakash, High Commissioner of India to Canada

Guests:
Ms. Anita Gupta, President and CEO, NMI Sales Tax Consultants; Director, Empire Club of Canada
Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public

Property; President, Empire Club of Canada
Mr. Harry Seymour, Past President, Empire Club of Canada

And my name is Gordon McIvor. I am the National Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

We are very pleased as well to have joining us today a group of students from the MBA program at Ryerson University. Students, welcome, to the Empire Club.

Introduction

Our guest this week could be called without any exaggeration an accomplished, worldly and industrious over-achiever. In Vishnu Prakash, Canada gets one of India's most accomplished diplomats, a man who served his country all over the world from Moscow to New York, Tokyo to Cairo, Shanghai to Seoul. Everywhere he has served there has been major advancements made for his country in economic and trade portfolios to the point where no one was surprised when he received the title of Ambassador of the Year in 2014 from the Asia Society at the Korea Centre in Seoul. He is truly a man of the world, he has a son in New York, a daughter in California, and he even will tell you that travel remains one of his greatest passions in life.

Since Prime Minister Modi's rock star reception in Canada earlier this year, our citizens were made fully aware of the important links that bind our two nations. The story of Indo-Canadian relations goes back many decades, to be sure, but it was in the 1990s that the friendship really began to deepen when India instituted major reforms to its economy centered around large economic liberalization. During that decade numerous Canadian cabinet ministers, a prime minister, and countless Canadian business leaders visited the world's largest democracy, seeking to open doors and increase economic activity between our two nations. By 2011, we had such a solid relationship that it was in fact dubbed "The Year of India" in Canada, a joint initiative by both governments.

In the interim, Canada also welcomed thousands of new Canadians from the subcontinent, and we saw in every major Canadian city, new cultural centres, restaurants and businesses. Many of us even began to enjoy Bollywood films and the magical new musical experiences enriching the social and economic fabric of our country. It has by almost all accounts been a friendship that has just gotten better with age. When you delve into the archives of the Empire Club of Canada, the subject of India has been at the very top of our hit parade from the beginning of our history, and countless speakers over the past 112 years have stood at this podium and recounted to our countrymen the various stages of progress enjoyed by Delhi. We often refer, in fact, at the Empire Club to June 20th, 1973 as one of the most important defining moments of the Empire Club in our entire history. That was the day that Indira Gandhi addressed the club in Toronto after making a historical visit and a speech to combined session of Parliament.

Her speech was entitled "Democracy in India," and its purpose was to bring to the attention of all Canadians, how much India had to offer to the world in spite of its many challenges. Here is a quote from that very famous speech:

> The founding fathers of our nation asked the question, "Can India become a modern nation without sacrificing harmony and human values, without being caught up in the pursuit of possessions?" The answer is India can and will, and this is what we are working for. India has given so much to human civilization. Even in the dark ages of colonial subjection, we had men of radiance. A nation which comprises 1/7th of mankind must have some contribution to make. It can do so when its millions are given the opportunity of developing their personalities. The transfer of scientific knowledge is brought with it a strong imitative propensity, increasing awareness of conditions elsewhere that has spread dissatisfaction with conditions at home. But I see also a tremendous upsurge of confidence and creative endeavor in our young people.

Now, Prime Minister Gandhi was effusive in thanking Canadians for all that they have given India and for the warm reception that she received here. But Canadians were starting to realize increasingly that we also owed a great deal to them—a fact that even emerged in our popular culture with such famous song lyrics as “Thank U [India]” a song by our own Alanis Morissette. This new mutual respect is where we stand today as we welcome Ambassador Prakash to our podium to answer the question, “What’s next for the world’s fastest growing large economy”? And we should listen carefully because India’s success will increasingly be related to our own. Ladies and gentlemen, it is a great pleasure for me to welcome to the Empire Club of Canada, the High Commissioner of India to Canada, Mr. Vishnu Prakash.

Vishnu Prakash

Thank you, President Gordon McIvor, for the very gracious introduction. I wish Prime Minister Modi was here to listen to your words. That would have been very useful. Friends, ladies and gentlemen, namaste. Good afternoon. I am absolutely delighted to have been invited to this iconic speaking platform of Canada. And I feel humbled that I am here today speaking from a platform which has been used by some of the greatest people of their times. I am particularly happy that we have some friends, young colleagues, doing their MBAs. Let me start off with a disclaimer that my presentation represents, reflects my own views, not necessarily those of the government of India.

The proposition before us is whether this is India's moment in history. Is India an idea whose time has come? I see many of you are of different origin, and I know many of you have been to India, so I am speaking to a very distinguished audience. India evokes different feelings, different views amongst different people which is very natural given the size of India, given the sheer diversity of India. Some people have said that India is an enigma wrapped in a mystery. Some people have remarked that centuries co-exist in India. It reminds me of an anecdote I heard when I was posted in New York some 25 years ago. One Indo-American told me about an actual incident that he happened with him in the late '70s—or was it early '80s? I forget. He said he was somewhere in the mid-west in the USA, and he was the only non-white participant in that reception. Someone decided, "You know this funny brown man is hanging around, so why don't I start talking to him." He said hello, et cetera, and then asked, "Where are you from?" My friend said, "I am from India," and he asked the other whether he knew where India is, and he said "Yeah, yeah. It's somewhere there," and that was the end of the conversation. Again, the curious one made a valiant effort; he said "Do you have roads in India?" So this friend of mine said, "Sorry, no we don't have roads in India; we only have foot paths and mule tracks in India." And the inquirer said, "Oh, wow, how exciting, how sexy." After a few minutes, the inquirer asked, "Do you have houses in India? Where do you live in India?" My friend said, "We live on the trees, you know. We go up the trees, and we live on the trees." My friend said that the conversation was getting a bit irksome, but then he had a brain wave. The inquirer asked my friend, "Oh, wow, you live on the trees? You know I'd love to do that, but how do you go into the trees?" My friend replied, "We take elevators."

So that was in the late '70s or early '80s, but, today, there is every possibility that if you call a CEO of a Fortune 500 company in U.S. or anywhere in the world, he will say "Namaste." It is not fortuitous that Indian CEOs are heading Fortune 500 companies. In the U.S., the CEOs of PepsiCo, Microsoft, Google, et cetera, are all Indians.

In Canada, also, Indo-Canadians are making their mark. They are heading billion-dollar groups. Some of the large groups that are headed by Indo-Canadians include Fairfax Financial Holdings, George Weston Limited, TD Bank, and so on and so forth. I would like to note that Indians today are the richest immigrant community in the U.S.—richest. And 42% of people of Indian origin in the U.S.A. have a graduate degree, which is remarkable. Two of the governors in the U.S.A. are of Indian origin.

And, interestingly, something similar is happening in Canada. I do not know how many of you seen closely the results of the last general elections, which were held just a few days ago. For the first time in Canadian history, 19 members of parliament in the House of Commons will be of Indian origin, 19. That is 5.5% of the House of Commons will have people of Indian origin, and 16 out of 19 parliamentarians have been elected on a Liberal ticket. It is amazing. And 9% of the Liberal MPs would be of Indian origin, so that is the kind of impact that Indo-Canadians or people of Indian origin are having. I mean in Canada, if you just look around, 1.2 million people are of Indian origin and are highly educated, highly motivated. They are adding great value to the society. They are closely integrated with society, and they have enriched the social fabric of this country.

Back home, something similar is happening: India, this year, is likely to become the fastest growing major economy in the world—and not just this year. In the years to come, at least in the next 15–20 years, we expect India's growth rate to be in the region of 7% plus. In fact, we need a double-digit growth rate, and we are hoping that it will happen. Most of the experts believe that by 2030, India will be the world's third largest economy, with a GDP of more than $6 trillion. The Modi magic is working—I will talk of the Modi magic momentarily, but, for example, in the first six months of this calendar year, from January to June 2015, India has attracted the world's highest foreign direct investment of $30 billion, overtaking the U.S. and China. It has happened for the first time for the simple reason that, despite a few challenges—and Gordon mentioned the challenges; I mean we have challenges—there is a lot happening in India, and the world is taking notice.

Last year, in terms of technology, we managed to put a Mars orbiter—India launched a Mars probe in the very first attempt in the world and just at one-tenth of the cost of its competitors. And last year, the Indian democracy was seen in action when the people of India, the young people of India, elected Prime Minister Modi's government and Prime Minister Modi with a thumping majority. It was a vote of change. There was a solid mandate given by the people of India just as there has been a vote of change in a solid mandate given by the people of Canada to Mr. Justin Trudeau and the Liberal party.

I would think that the election of Prime Minister Modi was a watershed event in history. Why was it so? A) For the first time in 30 years, a political party got a resounding mandate. But more than that, what was amazing was that somebody from the weaker segment, the underprivileged section of the society, to which Prime Minister Modi belongs, came to the very top. And he is known for good governance. For 14 years, he was the governor or chief minister of Gujarat, which is a province of India. Gujarat became the fastest growing state in the country—it did strike a cord with aspirational India. It was a vote for change, a vote for development; young India had spoken and spoken loudly. Even more interesting is the fact that before becoming the Prime Minister, Mr. Modi had a popular rating of just 78%. And last September, a month ago, another opinion poll was done by the US research firm Pew, and, according to that, his popular rating today is 87%. With 1 ½ years in government, he has an 87% popularity rating because he reflects the aspirations of people. He is an agent of change, and let me say it upfront: India is a very large country; our challenges are huge. I will come to the challenges. Change—at times people say change is not happening that fast—cannot happen overnight in a continental-sized nation like India. But India is changing, and this is very much the case. I have been talking to Prime Minister Modi, and it also happens that he has the third largest following on Twitter, which is very important in today's world. He has more than 5.7 million followers.

Yet, there are challenges galore, as I said, in India. Our per capita income is just $1,500. In Canada, it is $50,000. Despite the fact that we have pulled out hundreds of millions of people out from poverty, still 250 million Indians are poor. They do not have basic necessities. Half of rural India is still without electricity. So those are the dimensions of the challenges, the internal challenges. The external challenge is the challenge of terrorism, which we face constantly and which emanates from our neighbourhood. The infrastructure of terror that obtains also in our neighbourhood has left no country unscathed, including Canada.

So what is the actual state of play? Where do we stand today? What is actually happening in India? I can do no better than to refer to Mr. Thomas Friedman, of the *New York Times*. He has been following India very closely, and he said this ten years ago, and I quote: "India is the oldest civilization, the largest democracy and has the youngest population. Almost 70% of people are below the age of 35. There is a huge famine breaking out all over India today, an incredible hunger, but it is not for food. It is a hunger for opportunity that has been pent up like volcanic lava under four decades of socialism and is now bursting out with India's young generation." I could not have said it better than what he has observed about India. Every bit of that is true. Let me build on some of the elements, four of the elements that he has referred to. Let me build on these.

First is an ancient civilization with a modern outlook, and again I do not have to talk about the ancient civilization of India, which has endowed us with a very rich culture heritage. In the modern context it has given us a lot of soft power—the land of Buddha, of Gandhi. This is not the time to get into that, but, talking about yoga, I do not know whether you know that, as proposed by Prime Minister Narendra Modi, the UN General Assembly has decided to observe the 21st of June, every year, as the International Day of Yoga. And rarely has a world body taken a decision with such unanimity and such speed as it was done in a matter of just three months, and, this year, on the 21st of June, the world over, hundreds of millions of people of all nationalities, of all ethnicities observed yoga—that is the message from India. What is the message? It is a message of health; it is a message of well-being; it is a message of welfare.

There was mention of Bollywood. And when you talk of ancient civilization—I mean it is not ancient, but it is part of the culture: The Taj Mahal, the mosaic of religions. India is home to the greatest number of religions in the world, and it is the greatest melting pot. That also brings me to the fact that India offers a very unique tourism product. You have practically everything that a tourist can aspire for. I am very happy that the India tourism board, the India tourism office, which is present in Toronto, has an incredible India campaign, a very effective campaign. Every year, more than a quarter million of Canadians go to India. A quarter million! India is a country of 1.3 billion people. I think we need more Canadians to go to India. And more than 170,000 Indians are coming to Canada. By the way, we are trying to make travel to India much easier, and, a few months ago, we introduced what you call the e-Tourist Visa, so, sitting from the comfort of your homes, online you can apply for a 30-day Visa. You get the approval within four days, and you do not have to go to any high commissioner or consulate. You go to India, and you get your Visa on arrival. Twice a year you can get your e-Tourist Visa, which is 30 days non-extendable, but, last month, again, this was an announcement made by Prime Minister Modi: We have introduced a ten-year multiple entry Tourist Visa or Business Visa for Canadian passport holders, and we have priced it very low, so that the idea is that it should become very easy. I mean when your daughter or son or spouse encourages you to go to India, off you can go to India, and then you have the Indian Tourism Office to help out, and I hope that we will see much. The best part is that somebody was asking me how to travel to India. Lufthansa is a great airline, but you might want to do a commercial, direct air flight. Air Canada is introducing direct flights from the first of November from Toronto to New Delhi, and the reason I choose commercial flights is that I have chosen a very auspicious day, November first, which is my birthday. So I feel very happy that you know, they are so far-sighted and, therefore, I am doing commercial.

The second bit that Tom Friedman mentioned, other than civilization, was that India is the biggest democracy. I would argue that it is not a question of numbers. Certainly, India is the biggest democracy, but the best part is that we have made the democratic model work. Today, India has become progressively stronger. We are the only major country in the world which has managed to diffuse so many insurgencies. We have given a sense of participation to every section of the society. Let me pose a question, or let me point out something to you which is remarkable but is not a very well-known fact. We have the world's second largest population of Muslims in the world, 180 million Muslims.

Radicalization is alien to the Indian Muslim. Just 40—I mean 40 is a large number still—but just 40 people of Indian origin are known to have joined ISIS. And I do not have to quote the figures from other countries. Why? Just think about it. There are at times reports about incidents that happen in India. They are aberrations; they do happen. But look at what the whole story is in India: There are 1.25 billion people belonging to all ethnicities, communities, religions living in harmony. Every section of the society knows that they have a right of opportunity, they have right to equality. And Prime Minister Modi said recently that there is only one religion in India, and that is the constitution of India, and that is something amazing.

Again, let me point out what democratic India is doing to empower the underprivileged section of society. There are affirmative action programs in jobs, in education, in politics which are helping the weaker segments of societies to rise. And 50% of the village council seats have been reserved for women, and there is much more to follow. At the heart of that, are the free and fair elections which happen with great regularity—and we saw that in 2014. *The Economist* magazine had a very interesting quote. It says about Indian elections, "Young, urban and educated [Indians] treat their politicians as they might a phone supplier: if the service is disappointing, they switch." That is *The Economist.*

And we also have, as Tom Friedman said, a very young population. The world is aging, ladies and gentlemen. The figure that I came across a few years ago was that by 2020, the average age in Europe will be 49 years. Canada is fortunate: It will be about 42 years in Canada. The average in China will be 37 years. And, just today, you might have seen that China switched back to a two-children policy. So 49 in Europe; 37 in China and 29 in India. The world is aging, but India is getting younger. And every year 10–12 million youngsters join the job market in India. We have to train, educate 300 million youngsters in the next ten years. That is the scale of the requirements, and we need partnerships. And one of the partners that we need is Canada. When we talk about the synergies between India and Canada, and we talk about the future, this is one partnership that we are very keen on because we want to gain from the Canadian educational experience whether it be universities or colleges. The Indian diaspora—I have already said that there are highly motivated and skilled Indian professionals who have been moving to Canada. Many of them are adding skills and efficiencies and value to Canadian products and companies.

The last point is the opportunity or the hunger for opportunity in India. I like to say that India is "reemerging"—not rising but reemerging—for the simple reason that in 1820, not very long ago, India accounted for 23% of the world's GDP—23% in 1820. And then we had the colonial rule. As you know, when we emerged independent in

1947, we accounted for 1% of the world's GDP—from 23% to 1% with a 3% population growth rate and a 1% growth rate in economy. So that was the situation that we inherited in 1947, and it has been up by the bootstraps since. In the last 30 years, we have grown at about 6%. In the first decade of the 21sr century, we have grown at 8%, and the engines of growth are chugging again, and I hope that we will become a moderately developed country in another 20 years. Fortunately, the economic fundamentals are quite strong—whether it is inflation, the fiscal deficit, the stability of the rupee. The external debt is just about 21% of the GDP. The national saving rate is high.

The Modi factor is changing things. What he is doing is speeding up decision-making. He is to cutting the red tape; he is to introducing e-governance and e-business. FDI limits, foreign data limits, are being enhanced, and the ease of doing business is being improved. There is a lot of work to do. Modi's work is cut out for him and the nation, but things are happening.

Again, with respect to the efforts of social inclusion, I do not know how many of you know that to enable the under privileged section of society to come within the banking system, 180 million bank accounts have been opened in a matter of eight months with a zero balance. Those people, the weaker section of society, have deposited six billion dollars into the banks—that money which was kept under the pillows. Those are the kinds of changes that are happening in India.

With respect to science and technology, we are known for frugal innovation. In the area of medical research, we have done very well whether it is generics, bulk drugs. The HIV drug cocktail, which is being sold for $10,000 and is not affordable to the poor countries is now being offered for $200 instead of $10,000 by Indian pharma companies. The Clinton Foundation and the others are working very closely with India on that. India is an IT powerhouse. We are also strong in space science and launching satellites. Fortunately for us, India's global footprint is growing. The best part is that, today, every country, everybody wants to engage with India. India is not seen as a threat; India is seen as a factor of peace; India is seen as a factor of growth. We have been actively contributing to peace keeping operations. We have been reaching out to our neighbourhood because we know that we are the largest country in the neighbourhood, and it is our responsibility to take care of our neighbourhood. That is what we are trying to do.

Before I close and invite questions—the President of the Empire Club has told me that you all have lots of questions—and I am trembling in my knees, but let me bring Canada into the matrix. As I mentioned here, India-Canada relations have changed beyond recognition especially in the last few years. Canada has become a priority country for India. Our ties have been elevated to a level of strategic partnership. We have marked synergies and complementarities, and the challenge today is to build on the huge canvas that has already been painted; for example, we have complementary economies: India has a huge demand and appetite for all kinds of goods. We have a middle class which is more than 200 million, which will be 600 million strong by 2028—the largest middle class in the world. And we need everything that you have to offer. Given the opportunities that I have outlined, Canadian companies, including Canadian pension funds, are getting very active. Already, in the last 18 months, $6 billion of Canadian pension fund money—$6 billion—have gone to India. This week the CPPIB is setting up the first office by a Canadian pension fund in Bombay, Mumbai. Brookfield, one of your powerhouses, has become the largest investor in commercial real estate in India—I can go on.

So this is the background of Prime Minister Modi's visit, which happened in Canada. It was a stand-alone, 3-day visit. There was sheer excitement in the media, among the people. I was at the Ricoh Coliseum when Prime Minister Modi addressed more than 10,000 people, and there was electricity in the air. There was a Canadian CEO sitting next to me, and he said, "Ambassador, I don't know what your Prime Minister is saying, but I will buy whatever this guy is selling," so that was the kind of setting.

Education I have already mentioned. Infrastructure, development is another big area in which India and Canada can cooperate and work together. Let me give you an idea of the infrastructure needs that India has or what we are doing. We are going to add 50 million housing units in the next ten years. We are going to have $140 billion invested just in railway upgrades in the next five years. Hundreds of smart cities are being set up all over India, and the entire ecosystem can be created. Canadian companies and Canadian firms are very strong in environment management, in water management, waste management, green technologies. These are the areas in which we can work together. Energy—we have just signed a deal with Cameco to import uranium. We have promised to invest 10% of $4 billion in the LNG gas pipeline. The agreement is being worked out between Petronas and B.C. So these are a number of areas—infrastructure, education, energy, technology—in which we can work together.

Before I close, let me mention that Prime Minister Modi spoke to Prime Minister designate, Mr. Justin Trudeau just three or four days ago. They had a very good conversation. Prime Minister Modi has invited Mr. Justin Trudeau to visit India. The two leaders had also met in April when the prime minister was here. They had a very good meeting, and we hope and are confident that we can build further on the synergies and the platform that has already been established.

The road ahead is going to be very promising. The road ahead is going to be very exciting whether it is India-Canada relations or the journey that India is going to be taking ahead. There are going to be challenges; there are going to be lots of challenges, but we are really confident that we are very well-equipped to handle those challenges. But we need friends like you, members of the Empire Club. We need the support of well-wishers. God bless you all, and I am now ready for questions.

Questions & Answers

Q: First of all thank you so much for your presentation. It was fascinating. There is one thing that I am concerned about: Do you worry that so many of your brilliant, educated young people are leaving India?

VP: Well, at one point in time, we were quite worried. We used to call it the "brain drain," and we would say, "Oh, my God!" But, now, it is not the "brain drain." It is the "brain gain" because, as I mentioned, our youngsters are engineers—and we have a very large country. We are producing—we have the third-largest pool of trained scientific and technological manpower in the world. Now, what do the Indian youngsters do? They go out; they rise the ladder, the social ladder, the economic ladder. They are very proud. If they take the citizenship of another country—whether Canada or US—they are very proud Canadians; they are very proud Americans. But there is a cultural affinity to India. And so we see this as an asset now. And it is not fortuitous that, given an opportunity, Indians tend to rise to the very top. Thank you.

Q: I enjoyed your speech. How do you assess India's current relationship with Pakistan? Do you feel that it can be improved?

VP: We share a history with Pakistan. As you know, Pakistan became an independent country in 1947. We have a difficult relationship with Pakistan for the simple reason that very unfortunately for us—and for the world—Pakistan uses terrorism as an instrument of foreign policy. There is a whole infrastructure of terrorism that operates from Pakistani soil and that is the Jihad culture. That permeates everywhere. You have had cases of individuals even in Canada who have been neutralized, who had certain mindsets. That is our only challenge with Pakistan— it is a big challenge, but it is the only challenge. We have time and again reached out to Pakistan because the people, my dear friend, are the same. The aspirations of people are the same. Ninety-nine percent of Pakistanis are peace-loving; some of my best friends are Pakistanis. And we are also very conscious of the fact—I alluded to that—we are a very large country. We have a self-vision of where India stands. We have a very large economy. We have the capability of taking that entire region along with us, and we have been, time and again, reaching out to Pakistan and saying, "Look, let us compete on economic terms." We have extended our symmetric concessions, our facilities to Pakistan. With respect to the Most Favoured Nation agreement, Pakistan did not extend it; we extended it. We are willing to have trade. Indian companies are willing to invest in Pakistan, but our only challenge—and it is a huge challenge—is that every second day, unfortunately, there is firing across the line of control. Every few days, there is a terror incident.

We really hope that good sense prevails on our friends. As far as we are concerned, we know that the only solution to a problem is dialogue, and the only way ahead is peace and development, and we are very much on that path.

Q: **Thank you very much for being here and giving us your views on India and how India is developing. Just following up on the question that this gentleman asked, you mentioned that Pakistan's way of operation is terror. But is the question not why that is happening? Is in that not because of the disputed territory in Kashmir? Is India trying to resolve that basic argument it has with Pakistan—whether Kashmir belongs to India or it belongs to Pakistan. If that can be settled, do you not think that this terrorism issue will disappear?**

VP: Thank you, sir, for your very valid question. There are two parts to that answer: One is, let us say that there is a dispute between any two countries, any two people. How do you solve the dispute? Through a gun? By promoting violence? By killing innocent people? By causing mayhem? By brutalizing your own society? Is this how you solve it? Or do you solve through dialogue? With respect to some parts of Jammu and

Kashmir, we think that we have a historic right; we have our own claim, and we believe that we are right. But that is besides the point. The point is there is enough instrumentalities to sit across the table and discuss.

Let me give you an example of India and China. We have a 4,000-km long boarder with China. The border is undelineated—not even demarcated. Every year incursions happen; Chinese patrols are caught crossing to the Indian side et cetera, et cetera. We have flag meetings, and we resolve that. Not a bullet has been fired in anger since 1993—4,000 km long border. The point is mindset. What are you trying to do? In the 21st century, do you solve a problem through terror? Violence? Or through dialogue? In a cooperative way? That is the question. It is not a question of Kashmir or of anything else.

Q: **Thank you very much, High Commissioner for your information about your country, which I found most valuable. The outgoing government of Canada has negotiated a number of trade agreements—most recently, the Trans Pacific Partnership, and, just prior to that the European Union. And going back a few decades in our history, there was the North American Free Trade Agreement, so there have been a lot of major bloc-kind of trade agreements. Now, how do you see India fitting into these new blocs that are being formed?**

VP: Thank you, sir. I really appreciate and thank you for this question. I really should have touched upon that. Let me talk of India and Canada first. We have a very important partnership with Canada. I mentioned some elements of those partnerships. Today, despite the fact that we are both more than $2 trillion economies, India-Canada trade is just about $7 billion, which does not do justice to the potential, so I am happy to tell you that, between India and Canada, we are actively negotiating two agreements: One is the Comprehensive Economic Partnership Agreement, CEPA; and the other is FIPA, the Foreign Investment Protection Agreement.

And since the previous government, we have made a lot of progress, and we are hoping that we can pick up the threads soon and bring these two important agreements to early fruition, so that will give a huge impetus to our economic and trade ties.

On the larger issue, we are also quite keen and active in having special trade arrangements, economic arrangements. We have, for example, a comprehensive partnership agreement with the ASEAN region; we have a comprehensive partnership with Japan, with Korea, with Singapore, with our own neighbours. We are negotiating a FTA, Free Trade Agreement, with the EU; we are doing it with Australia; we are doing it with Israel, so each country in today's world seeks to expand its partnerships. I do not like to use the word "bloc." It is not "either/or"; it is "and also," so we are very hopeful that, as the Indian economy grows, we will be able to have more partnerships with many more countries.

Q: Again, I echo everybody else's sentiment: Thank you very much for what is really a very encouraging talk. For somebody like myself who has been doing business in India for the last ten years, many of the things you describe today in your talk are very encouraging—the CPP investing in opening up offices, "Modi's magic," as you refer to it. We very much are feeling that in the last 12–18 months in our own business. With that said, what words of encouragement would you give either somebody like myself or Canadian business people that post-Modi's era, we will not slide backwards, and we will continue to be progressive as we have been in the last 18 months?

VP: Sir, unless you think we are suicidal, which I do not think we are, why would we slide back? What do the people need? Seventy percent of India's population is young. It is aspirational. Education is widespread; communications are widespread; awareness is widespread. What do you need? You need growth; you need development. For India we only need three things: The first is growth; the second is growth; the third is growth. And it is not just Prime Minister Modi who started it. It started in 1991, and, as I mentioned, at the time of independence in 1947, our growth rate was 1%. Over the next 40 years, it was 3%, and then in the last 30 years it was 6%. The only solution is economic development. And we are very conscious of the fact that India is not the best at the ease of doing business, and we know that there is no solution but to get our act together.

The big difference today from yesterday is that earlier, we found external issues. Today, we know that whatever challenges there are, they are within us, and we need to get our act right. And I can promise you, sir, that there is going to be no sliding back. Thank you. GM: Thank you very much, High Commissioner. By the way, I should mention that the very discrete gentleman who asked the second last question was one of our greatest mayors of the last half century, Art Eggleton, now a member of the Canadian Senate. Welcome, Mr. Eggleton, and, thank you for being with us. Here to express our collective appreciation is Barbara Jesson.

Note of Appreciation by Barbara Jesson, President and CEO, Barbara Jesson + Company Communications Inc.

Mr. Ambassador, thank you so much, for coming to greet us at the Empire Club and sharing these insights into your fascinating country. Like many Canadians, I am mesmerized by your culture and your growth and the wonderful things emerging in industry today. And, frankly, I cannot wait to visit like many of the people at the head table that we were talking to today.

My presence at the podium today comes as a bit of a surprise to me. I am not here as a director of the Empire Club, but am representing my client, Lufthansa German Airlines. My client has been felled by a pestilence of some kind, and I can tell you that, after speaking to her this morning, we can all be very grateful that she spared us her presence, but I am here to bring her thanks on behalf of Lufthansa German Airlines.

But before I get into that I just want to tell you, Mr. Ambassador, that one of the things that came out of your speech is that you share many, many similarities between Canada and the United States. One of them is that it was not that long ago that many Americans would arrive at our borders with skis on top of their car in the middle of July, so we do share things. We do share many things in common.

So on behalf of Lufthansa German Airlines, they have been just delighted to be here to partner with India Tourism in presenting your talk with us today. They have been promoting India as a key destination and as a business partner for over 20 years. The relationship that Lufthansa German Airlines has had with your country is very special and rooted deeply—spanning over 50 years in terms of their actual carrier service into India. India has become an important player in the world, as you noted and their very aware of this and delighted to be serving your country. And based on your remarks today, I have been asked to tell you that they are sure that at least another 50 years of service lie ahead of them and prosperous years at that.

Now, the ambassador eluded to the ease with which you can now get your Visas to India, and India Tourism has been very generous with us in providing gift bags for all of you as you leave today. In them, you will find some information on how you can get that Visa so that you do not have to put your trip off any longer.

Thank you, Mr. Ambassador, it has been a sheer pleasure to have you here. It has been a much anticipated event for me and others of the Empire Club, and we are very grateful that you found time for us.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Barbara. And thank you to our very generous partners today, as Barbara mentioned, Lufthansa German Airlines and Incredible India. And, wow, I cannot think of a better time to get that information on a Visa, Barbara. I am actually starting my application process tomorrow and am going to India in about three weeks.

I would also like to thank the *National Post*, our print national sponsor, and Rogers TV our broadcaster for broadcasting this across Canada. We would also like to thank Mediaevents.ca, which is Canada's online event space for live webcasting and podcasting this event at the global level. Follow us on Twitter at @Empire_Club, and visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. Please, join us again soon, ladies and gentlemen.

We have a lot of great events coming up over the coming weeks and months. Next week, we have the Honourable Glen Murray, Minister of the Environment and Climate Change. That will be on November 5th, at the Sheraton Centre Hotel. That talk will be followed by Carol Browner, Former Director of the White House Office of Energy and Climate Change Policy and Former Administrator of the Environmental Protection Agency (EPA), who will be speaking to us on November the 12th. Premier Brad Wall, the premier of Saskatchewan, joins us on November 19th, at the Royal York Hotel. He will be our third premier in less than two months. Heather Conway, the head of CBC Television will be here on November 20th, at the Arcadian Court. Many of you may have seen the Empire Club profiled on the CBC hit series *Murdoch Mysteries* about two weeks ago. We have the governor of the Bank of Canada coming on December the 8th, at the Metro Toronto Convention Centre to talk about the future of the economy next year, which we can look forward to. And we just booked a few days ago Chief Justice Beverley McLachlin, the head of the Supreme Court of Canada. She will be joining us at the beginning of spring next year, so there is a lot to look forward to, and, in the interim, thanks so much ladies and gentlemen, for coming. This meeting is now adjourned.

The Empire Club Presents

THE HONOURABLE GLEN MURRAY MINISTER OF THE ENVIRONMENT AND CLIMATE CHANGE:

November 5, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Sheraton Centre Hotel in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. For those of you just joining us through either our webcast, our podcast, or Rogers Television, welcome, to our meeting. Now, before our distinguished speaker is introduced today, it gives me great pleasure to introduce to you our head table guests.

HEAD TABLE:

Guest Speaker:

Honourable Glen Murray, Minister of the Environment and Climate Change

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Mr. Steve Baker, President, Union Gas Limited; Past Chair and Director, Ontario Energy Association

Mr. Karim Bardeesy, Deputy Principal Secretary, Office of the Premier ofOntario

Mr. Bob Huggard, President and CEO, Ontario Energy Association

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public

Property; President Empire Club of Canada
Mr. Norm Ryckman, Director, Market Development and Sales, Enbridge Gas Distribution
Mr. Tim Smitheman, Director, Ontario Energy Association; Senior Manager, Communications, Government and Public Relations, Samsung Renewable Energy Inc; Second Vice President, Empire Club of Canada
Mr. Johannes Soer, Founder, Global Fruit
Mr. Michael Southern, Manager, Government Relations, Suncor Energy
Mr. Lloyd Switzer, Senior Vice President, Network Transformation, TELUS

We have a group of students joining us today from Centennial College. Welcome, to the Empire Club.

Now, ladies and gentlemen, to introduce our guest speaker, please, welcome Mr. Bob Huggard, the President of the Ontario Energy Association.

Introduction by Bob Huggard, President, Ontario Energy Association

Thank you, Gord, and, good afternoon, everyone. The OEA is pleased to be a co-presenter of today's program, and so it is my privilege to introduce our keynote speaker, the Honourable Glen Murray.

In April, Premier Kathleen Wynne announced that her government wanted to take action on greenhouse gas emissions and added the responsibility of climate change to the Ministry of the Environment. She asked Minister Glen Murray to find a way to meet the province's emissions reduction targets through the design of a cap-and-trade system. I am sure we will all agree that the Minister has been given a tough job, yet he continues to impress us with his enthusiasm in the face of balancing a wide range of stakeholder interests. As President Lyndon Johnson once said, "When the burdens of the presidency seem unusually heavy, I always remind myself it could be worse. I could be a mayor"—a job title that the minister knows well.

For those of you who do not know, Minister Murray served as the mayor of Winnipeg from 1998–2004, so he may have a very good perspective on this quote. To cut down the amount of time that we have in introductions, I would like to say that this afternoon, Minister Murray provides us with a preview of his plan and will detail how Ontario will build on his actions to fight climate change and help to ensure that future generations are left with a healthy and prosperous province. So without further ado, would you, please, join me in welcoming Minister Murray to the stage.

The Honourable Glen Murray

Well, I guess it is good afternoon, now, eh? Thank you very much for coming out, Bob. Thank you to the Ontario Energy Association and our other sponsors for the great work you do. We are blessed in this province with such a skilled industry and environmental groups and businesses, which makes my job a lot easier than it would be without you. And this is a shared challenge, a shared responsibility and many opportunities for us to share together, and we are greatly appreciative for your leadership and some of the very difficult things we need to deal with.

I just want to recognize a few folks: Glen Tebow, I think, is right over there. My dear friend, our birthdays are three days apart, and he is working very closely on northern issues on climate change and working with forestry mining and on infrastructure in the north so, please, do buttonhole him for that. We also have a working group ably lead by my dear friend John Godfrey who is here. There are also a few other members here: John McCabe, Katie Sullivan and Lisa DeMarco—remarkable people who are giving us some extraordinary amount of time. I would just like to—if they just want to stand up; they are there to be buttonholed, too, because they are helping facilitate, so if those folks would stand up that would be great.

And since we last met, we have a new Minister of the Environment and Climate Change, federally, which is very exciting. And, as you know, Premier Wynne has built very strong relationships with Prime Minister Trudeau and with Premier Couillard—somewhat legendary and probably one of the strongest federalist partnerships we have seen in many, many years.

And then I did not know who Catherine McKenna was. I sort of knew her from afar—her reputation. And I had discovered that everyone who knows me seems to know her and vice versa, and within about five minutes of the appointment, I had my Twitter account filled up, my emails filled up and my texts. And my roommate from university who actually was one of her key campaign workers said, "This is gonna be trouble; you two are, like, over the top enthusiastic about this. You're gonna love each other." So I am very excited about that, and we have a new federal minister who is very, very, very engaged when we have gone for a decade without conversations between provincial and federal ministers on this topic. This is going to be a hopeful new beginning, which I am very excited about, and I want to thank Catherine and congratulate her.

I am going to make sure we have some good time for questions, but I have got a few key things that I want to explain. Some of them may seem a little unusual, and I have been watching my friend Christiana Figueres speak on these things, and she spoke here recently in Toronto. She and I often talk about how to do two things: Explain the gravity of the situation we are facing, which is very serious, and give some context to what that actually is so we understand it—but not understand it in a way to be dispirited or to be in despair but to be highly motivated about the incredible possibilities that come with the opportunities of what John Kerry and the U.S State Department outlined as a $6-trillion expansion of the western economy. And so the opportunities of a low-carbon economy are huge; they are also the way we save ourselves from a very difficult situation.

I have until the end of this year to get the climate strategy out—and the cap-and-trade system. The premier has given a great deal of confidence in me, and I have a great deal of confidence in her, and that relationship is very important. But she and I would both tell you that it is our relationship with you that is the most critical in this process, and we have had a lot of time in the last year for consultation. As the cap-and-trade design process now goes into full consultation, you will get even more of my time and attention because we really need to do this with you and not *to* you.

But I do just want to spend some time on the problem because I have realized that, to understand the context for action, you have to understand or at least agree on the problem. And Dalton McGuinty always used to ask ministers—Karim Bardeesy and I have been through this before—"To what is the presumed problem that this is the solution that you're proposing, Minister?" I think it is important to have context because if we do not define the problem together and understand the implications of it, it is hard for us to act in unison. So I want to take you through a few things about what we mean by this.

Right now, we are experiencing the carbon dioxide impacts from when I was in elementary school in the 1960s, okay? So this is old carbon dioxide; this is stuff that cycles through 50- to100-year cycling, depending on a number of factors. The 400 parts per million of carbon dioxide that arrived on our doorsteps last year of which put us past that

400 parts per million which is the danger zone will not cycle through for another 30, 40, 50, 60, 70 years depending on a whole bunch of other factors. Part of the challenge we have is that we are locked into some significant risks over the longer time. What I am talking about right now is what is happening in 2015. In the back of your mind, recognize that this is 50-year-old plus carbon dioxide emissions that are now just impacting on climate.

In 1979, our Arctic had a very full ice cap; that would be close to normal. By 2014, you could see about 40% of it is gone, and this is hugely consequential because of the role that the Arctic plays in the global climate system, the jet stream, the reflective power to keep our planet cool, its impact of ice and ice melts on oceans and ocean circulation, levels of acidity in the ocean, the seasons—I will come to that in a moment—and also the amount of methane and methyl-hydrates that are up in the Arctic. If they were released, there would be a pretty irreversible problem and an existential crisis. So we focus heavily on the Arctic. We sometimes think of the Arctic as something far away, a place that we have never been, a place where polar bears are having difficulty. We do not personalize the Arctic as having real impact on it and the fact that it is more consequential.

This is from Cornell University. On the right hand side of the screen is the typical polar vortex where for most of our lives that is the compact jet stream that sits about

30,000 feet above the Arctic and contains cold weather up there. It is the temperature differential between the Arctic and the equatorial area that actually manages the jet stream, manages the change of our seasons and manages the stability of the climate that allows things like pollination, germination, and all the things we rely on. It is the interaction of these things— more than it is Florida being under water or some of the things that you read about—that we are most concerned about. This is the work that we are doing with California and Quebec—we are looking at the critical adaptations around food and water security and those kinds of things.

But you can see in 2012 and 2013 how distorted that polar vortex was. Those large cold areas are breaking up. This is based on current levels which is an Arctic that is impacted by a temperature change from preindustrial levels by about 1.7 degrees. So you can see just that small temperature change has had a dramatic impact on the most important piece of the earth's climate system. Understanding that, it is very hard for us to change with a 7-degree to 8-degree warmer Arctic by 2050. You can imagine the implications of an Arctic at 7 or 8 degrees warmer. And this is the thing that keeps most of us up at night, the case for urgency. It is already showing different kinds of impacts, and you have experienced them probably in your own life and in the newspapers. This is it, so it can mean all kinds of things. So North America last year was the hottest—2015 was our hottest year as a continent. But you know from the winters that we have had, that we have had some of the coldest and wettest Februarys and Marches. And you can see that because it is basically leakage from the polar vortex. Part of the destabilization of it means that three quarters of North America is parched and dry; our quarter is cold and wet. So you can see the extreme nature of this and the destabilization and the incredibly disruptive nature within a continent and within seasons that makes it very hard for us to live on this planet as this gets more extremely disruptive.

We sometimes are not very literate about what climate impacts are or know how to look at them. And the Canadian media has not carried this with the same depth as the European and the American media. I read the *Washington Post*, and I read the *New York Times* a lot because their climate change coverage has been really good. The Pentagon and the U.S Department of Defense had come out with a series of analyses about what happened in Syria and about the different events there and how we have a refugee problem there. Please, go look at these articles because they are quite interesting—the Pentagon Report

In 2006, we started with the worst drought in the history of the region. And that drought, you can see, caused somewhere between a 60% and 80% crop failure. That led to somewhere between about 1.2 million and 1.6 million middle-class farmers losing their farms and the collapse of domestic food production. That caused those farmers, by

2011, basically to become a refugee under class in homes and in Damascus and in large cities, the study done by the U.S. State Department showed. And it was at that time that the Pentagon was saying that Syria was immune to the Arab spring, that it was not happening there. And, you can never say that this is absolutely 100% only caused by climate, the drought; and you certainly cannot say the drought was the cause of what happened there, but these were all significant factors that led to destabilization of that and what came after. And then the Assad regime for many, many reasons destabilized, and then ISIS. And we now are at war. We have had fighter pilots over there. Turkey and the Kurds are fighting each other; Russia is in there fighting all the enemies of the Assad regime; the Assad regime is fighting the rebels. And it is one of the worst conflicts in the world that is leading to one of the worst and difficult migrations which was an issue in our last election. These are the kinds of things that, when we talk about severe droughts, will become more common—not that these things are happening only because of climate change, but they are happening more frequently. And if you go to that same latitude around the world, you will start to understand how these things come home to us already on 1960s emissions levels.

These are California's drought maps since 2011 to this past year. You can see it is abnormally dry, which is a significant problem. I think the exceptional drought is actually a recent one that they added. I mean Governor Brown actually said to me, “They’ve run out of adjectives to describe how bad the drought is.” This is a 40-year drought cycle that NASA has projected—there has never ever been a 40-year projection before. They have not had it. And why 40 and not 39 or 42? It is because NASA does not project that far. And, for climate stability and for Ontarians, that is 34% of the food production in Canada and the United States that we rely on as a winter country particularly of concern for us. And they estimate that for most of the major vegetables we eat, about 50% of the vegetables—the broccoli and healthy things we eat—come from California on the vegetable side. So you can appreciate that in real time. As this becomes a more difficult challenge going forward, food security and water security is a top agenda item when I meet with my counterparts in California.

We cannot keep going down this road. We have got to pull back, and we have got to look at where our emissions come from. So industry is 28% of our emissions, and they are coming down. Our industries are mostly below 1990 levels, and we are very proud of the leadership and the work that you have done. You are world leaders in that, and we have had success already, so we are optimistic about the innovation capacity of our economy.

The other place is electricity, and, as you know, we are very proud as a government to have closed coal plants and introduced the Green Energy Act and electric vehicle incentives. The government has worked very hard as you have and alongside with you, learning from you reciprocally in seeing net reductions in both the industry and transportation sector. Now, we are no longer a pre-coal climate change group; we have joined the post-coal group because we do not have coal, and there is a big difference. Michigan is now trying to close nine coal plants in four years. They have some real challenges. So we are now in the same space that California and Quebec are—with almost entirely renewables or nuclear and with very limited amount of fossil-fuel generation. And we have to face the challenge. You will see the climate change challenge and our economic opportunities relating to buildings which are about 33 megatons—just less than 20%—and transportation which is 35% and 60 megatons. So you will see a lot of focus right now on geo-thermal, on insulation, on natural gas—a whole range of inverters. There is a great company called Royal Park Homes, who are basically selling net zero buildings that give you a commuter monitor that—can you imagine the joy of this experience?—allows you to watch your energy-generating home selling energy back into the utility and telling you how much money you made that month. The premier said to me, "If you could figure out a way to cut carbon and cut people's home heating and energy costs, I will consider it a success." We actually think we are getting there, and many of you in this room have been our partners with respect to—whether you are in the building, construction, natural gas, clean energy, solar, wind, nuclear, all of it—smart grid, smart meters and all the technologies we have to bring together to actually, you know, change ourselves from energy consumers to prosumers.

And we have a large auto sector, and we know that public transit does not solve the problems for everyone. We are very proud of the enormous investments we are making that are critical to better designed cities in terms of sustainability, reduced emissions, a healthier population, better land use, higher GDP growth that comes from transit. But we know most people in Ontario will continue to drive cars, so we have to be more innovative than that. And the demand for electric vehicles and low-carbon technology is going to be there, so we will be putting a lot of attention into electric charging stations and into building the infrastructure and the systems we need in working with industry to produce and export the products so that we are global leaders in clean technology and low carbon technology.

But it is not just about new industries; it is almost like the information technology revolution, which was a $1-trillion expansion to our economy. *Everything* was affected by that—every business process, every service industry. You buy a car today, and it is a computer. Probably the biggest computer you own is your automobile. That was not true 15 years ago. Your car was not also your computer—so information technology became part of every product. Low-carbon technology will become part of every product. It is a similar transformation. So when I say that we have to seize these opportunities, we need transformative leadership across society. And so where we are going to be focusing now, obviously, is on the opportunities that come with buildings: We have to retrofit every building built in Ontario over the next few decades. That is a whole bunch of middle-class jobs; that is a whole bunch of skilled labour; that is a whole bunch of new technologies to put out there. And the result of that—as someone who lives in a condo—is to replace the HVAC mini-units that they gave me three times, and I have shopped around for the kind of low-carbon, low-energy technology you can install in a home or in a condo unit. It is amazing, and a lot of it is Ontario-made technology. And you know what it would do in my unit if I could retrofit my unit—and I would like to see a government program to help us all do that. Would it not be nice because it is hard to manage for most working families, who do not have $11,000 to retrofit their heating and put geo-thermal in, you know? The Tesla battery solar kits are $3,500 right now, so the market is opening up, and we know from our experience with the leading work we did in green energy, we dropped solar panels and are now competitive with everything else. So can we help people? And then does that create more cost than friction in the economy? No, it does not because your heating and cooling bills, and your energy bills are lower. If you are actually introducing a technology that raises the cost, that would be bad; that would create friction and cost and structural problems in the economy. But if you are actually introducing new capital investments in buildings that lower costs, you are reducing the operating costs and the life-cycle costs of the buildings.

And I learned this because there is an organization in Manhattan called the Durst Organization that bought its first building in 1928; it never sold one; it just built the Bank of America building and built almost net-zero skyscrapers. And for 70 plus years, they reinvested massively in the state-of-the-art technology. They do not need a retrofit program, so we know there are people who have done it on a massive scale and have made money out of it. And, as a matter fact, they took me and showed me how much money they make—the ROI on their investments. There are some folks from Brookfield that started salivating at the returns on that. Canada, relative to the OECD nations and the G7, has relatively low productivity. We have to improve our productivity, and that is paired with bringing down our carbon levels, our GHG emissions, so we are trying to go from a high-carbon society to a low-carbon society and from a relatively low-productivity economy in Canada to a high-productivity economy. And that is a challenge with low dollars and with low oil prices—that is a challenge for the Canadian economy at many dimensions. So the partnership, the transformation of leadership is really important.

And I am going to close because I know you want some questions, and I really want to hear from you. Just to give you three concepts around cap-and-trade—the qualities. It has to have integrity; it has to provide stability; it has to be clear. But why are we doing it with California and Quebec, and why are we creating this partnership in a low-carbon economy? Because together we are about the fifth-largest economy in the world, and Ontario on its own cannot work with industry to tip a market. But when you have got a GDP of $3 trillion and one of the largest affluent markets in the world, coordination between California, Quebec and Ontario can actually deliver market demand, procurement policies, and standards that make sense and that are good for business. This is because we know that the larger your carbon market, the more stable it is and the more choices you have. And everything we have looked at said build a big robust market with stable democracies, with stable capital, which we do. The sooner you do it, the better because as the caps are come on around the world—China, Japan, Europe, most of the major world economies, South America—all are introducing caps on carbon and trade systems. The more you wait, the more expensive it will be because the caps are more restrictive. The cost of allowance of credits and offsets goes up, so we want Ontario businesses to do that. And with Quebec because, if you talk to the trucking industry, if you talk to mining, it is one large regional economy, so it makes some sense to treat it as one economy. With a strongly federalist government in Quebec, we can do that, so we do not have a lot of red tape. We do not believe in a regulatory model that some governments have.

And the other thing is capital. The money that comes out of the market has to go back into business and back into transportation and infrastructure and transit and to building in the way that lowers greenhouse gas emissions for this reason. We really do not want you to get to your reductions in Ontario—you and me and all of us—by investing in California so as to invest in their plans to make their plans more productive; instead, we want to see an inflow of capital, and that is how we are looking at designing our programs. That is where we need your help so that the money is flowing into Ontario businesses, manufacturers, and to Ontario transit systems, buildings and infrastructure to make our buildings better, make our systems more competitive, make our economy stronger. That is really, really critical—the issue of capital flow. So we cannot do this on our own. This is to create a market for transformative change.

I want to leave that with you, and I think we have time for questions. I want to thank you very much for coming out and giving me my reward for giving you a speech—which is to get your opinions, so thanks.

Q: Thank you very much. Mel Ydreos, Executive Director of EnergyVantage. I have a consulting firm here, based in Toronto, but all my work is international. I work with the G20, Royal Bank, a lot of governments dealing with the same issues as you. I have a difficult question for you, I think. But first let me just say that I am very encouraged by the leadership Ontario has shown in the off-coal strategy. There is no doubt or question about that. Germany's emissions are higher today than they were in 2009. South Korea's emissions are higher today than they were two years ago. Australia's emissions are higher today than they were just six months ago. And the primary reason is that they are very concerned about their industrial competitiveness. And, therefore, they are going to the lowest cost margin way of producing energy because they are very concerned about industrial competitiveness. And those are major countries that have major industries. I wonder how you plan to address Ontario's industrial competitiveness with a potential additional cost to their operations.

GM: So I start with the challenge of climate change because there is no business plan that goes beyond three decades if we do not get to a nearly carbon neutral economy by mid-century. And it is hard to internalize that. I was talking to the CEO of one of our companies; he is a grandfather, and he said to me, "You know I'm having a really hard time with this. My 5-year-old isn't gonna have a planet—may not survive to my age." That is the gravity of what we are dealing with, right? So anyone who thinks there is a good business case for a high-carbon economy, please, step up, and we will share some science and discuss that. My assignment for everyone is go and Google a 7- or 8-degree Arctic, which we will get to—that is not unavoidable. Just understand what that means for our competitiveness. Just look at the GDP loss in Atlantic Canada when we had four meters of snow for the first time on the streets of Halifax in the last week of May and first week of June. So the productivity gains have to be real. We have to be looking at 2% GDP. We, actually, unlike all of those other jurisdictions, met our targets. We are at 6% below 1990 levels, and we are determined that by improving carbon productivity and having innovation-driven productivity in plants and by continuing the partnerships we have with the auto sector that saw unprecedented levels of improvement, we will make those gains.

Our auto sector has to now move into different types of technologies because there is a limited future for the internal combustion engine as you can imagine. But we know they can do that because we have just come out of a partnership with the auto sector that has seen our auto production go to skyrocketing levels and way up. Our exports are going up, but it is more automated. You do not drop out in grade ten of high school and go work on a GM line; you go to UOIT, and you do a degree in robotics or software—and that is upskilling our labour productivity. Our auto sector, our labour productivity, our natural capital productivity, our light weighing vehicles—all of that transformation. So you cannot look at greenhouse gas emissions simply as reducing carbon dioxide coming out of industrial process.

You know, I spend a lot of time with two major forest companies and one chemistry company, and they have got rocking ideas for doing that, so we have to detach our GD per capita or GDP growth through a strong economic partnership from our material resource consumption to us and our greenhouse gas emissions, which we have done. We are doing it. We are seeing not just less intensity but net-zero, so I think we can do that.

I think it is also understanding markets. This is a challenge for export development. You know I see one of the things that people are starting to realize is what you are selling your product to—we do not usually think about wood making tall buildings, but wood is all embedded carbon, right? It is one of the best products for making buildings. UBC has right now an 18-storey residence for engineering students. When I was in university I lived in the engineering residence, and I do not know if any of you are engineers or went through that, but, if any building can survive being an engineering residence that does not burn down, does not get blown up, it is about the most resilient structure. We are going to go through a real fundamental shift in repurposing many of the different things we make for products in new markets. We cannot afford to be risk-adverse; we have to be innovative; we have to be broad and visionary. As one of the few stable places in the world that is not California, that is not the Prairies that saw horrible dry levels and fires, we have some stability here. If we do not lead, we will not succeed.

The question for Ontarians is not how big a part of the problem we are. The question is how big a part of the solution we can be. And can you think of any other place, with the kind of leadership we have—politically right now and in business and labour—that is in better positioned to be a bigger part of the solution for our planet than us? And we owe that to our children.

Q: Thank you for the good presentation. One of the differences between us and our partner jurisdictions, California and New York, is that they have invested much more in conservation than we have and reduced their demand much more. We have a conservation-first policy, why do not we invest in all cost effective conservation before producing new supply, and while we are at it, import water power from Quebec, avoid the high-cost nuclear rebuilds that are your government's plan and put the savings into lowering our industrial electricity rates and funding public transit?

GM: We do have agreements with Quebec because of the close relationship we have around climate change. I just spent my weekend with David Heurtel—sleeves rolled up doing two days of hard work looking at that. We have just signed agreements, I think, for 500 megawatts with Quebec. We have a reciprocal agreement during their peaks, and our peaks are off, so we sell each other energy. Ours is half nuclear and renewables. The nuclear power base like most jurisdictions in North America—we have a heavy base load. We have a lot of energy. Bruce Power right now is out there making the case for very low costs, charging for vehicles because if you could have low- to zero-cost energy from ten o'clock to five o'clock in the morning, you can use that energy there.

We have the architecture I did some work when I was Chair of the National Round Table Environment of the Economy, and every province has built in architecture. You have got what you have got as whatever your generation is, whatever your grids are, and we, fortunately, have smart grids, and one of the greatest advantages we have in Ontario is that we have smart meters, which is going to allow us to do a lot of things. So given that we only have 30 years, we have got to re-deploy those energy assets in ways that allow us to be able to reduce our emissions and our costs, so overnight charging vehicles works really well. Redistributing energy is, I think, a big challenge because you know one of the questions I have—and Bob Chiarelli and I talk about this a lot—is what if everyone can get an inverter, a solar panel and put geo-thermal and go off-grid and generate your own energy? This is the first generation that we have of just consumer-driven choice, and, you know, I see that happening in many jurisdictions. I have friends who generate their own energy and do not want to be part of any system, so I think the questions you are asking about how do all the energy pieces fit are really complicated questions that I do not have answers for. And Minister Chiarelli is not here. He is smarter than I am and could answer them, but I think those are good questions to put before him. But I think what we are trying to do right now is to figure out how to get net-zero buildings? And how do we use the energy infrastructure we have now to really power most of our vehicles? And we think there are opportunities with nuclear and with others, and I am happy to buy you a cup of coffee to continue the conversation because I think that you have opened up a lot of big questions.

Q: Mr. Murray you made reference to the benefit of the scale of California and Quebec and Ontario, so this is a two-part question. Firstly, what is the incremental benefit of the scale of being Canada and California, or Canada and the U.S? And what are the prospects of that scale being achieved?

GM: Well, you know, this is the first time we have had a serious conversation about "Canada and…" on this issue. Canada and Australia are the two countries that are the most modern and democratic and environmentally sensitive in tradition. We backpack through Europe; we tend to live closer to the earth and tend to be enormously proud of our lakes, our rivers, and our forests, and, even as we saw them being threatened, we were two of the first countries to drop out of our leadership role. We were actually one of the only countries that walked away from Kyoto, so it is late in the game now quite, frankly, for a national government to be coming in. I think one of the pressures on my federal counterpart and Prime Minister Trudeau and Catherine

McKenna is that we have lost a decade. We have lost a critical decade where a lot of stuff could have happened in this country. I would literally sit at federal-provincial meetings with my colleagues, and all of the provincial ministers would put climate change on the agenda, partnerships, infrastructure, public transit investments, highway corridors, and the discussion would never happen. We tried to do what we could. So I think "Canada and…" is a real thing now. We have got to work really hard, and this is an issue that should be above partisan politics.

But the other thing that I want to say is with respect to the Under2 MOU with California and the climate group, we now have over 70 of what we used to call "sub-nationals"—many of us are separately sovereign—working. California; Quebec; Jalisco; Nuevo Mexico; Para-Brazil, Rio de Janeiro; KwaZulu-Natal, South Africa; Gujarat, India—I can give you 72 of the major economic regions, provincial state jurisdictions and all of the world's largest federated states, who, like Ontario, are responsible for energy; they are responsible for infrastructure; they are responsible for building codes; they build buildings; they are responsible for subdivisions and land use and electricity and regulation of appliances and all those kinds of things. Our national governments, unless they are unitary, are not responsible. And with federated states, it is us, the members of those federations.

So the work that Premier Wynne and I and Premier Couillard, David Heurtel, Governor Brown and my counterpart there Matt Rodriguez are doing to build this international coalition of sub-national governments is being effective. If you look at all the leading jurisdictions, so successful has this been that we are now getting national governments.

When Premier Wynne hosted the Climate Summit of the Americas, Mexico showed up as the Mexican government as well as members of their federation, and Undersecretary Lacey said, "Look: Mexico wants to join with California, Quebec and Ontario to build two things, a North American-like carbon market and the green economy." We do not—as much as we love China—want to be buying Chinese electric vehicles. We want to be making them here, and we all have a shared commitment to do that. So the Climate Summit of the Americas has created a multi-order level of government ability to build a carbon market.

Now, I think what you are going to see in Paris is that we, Premier Wynne, Premier Couillard, Governor Brown and, I think, hopefully, Governor Cuomo from New York soon are looking for an indication from the government of Canada to join in with the government of Mexico; then, you have got another major government. I am optimistic that is going to happen.

If the Canadian government joins in, we have a North American carbon market, which deals with problems of carbon border adjustments which we have to deal with. And that means that we are not going to have trade or environmental barriers when we sell into Europe under the new European Free Trade Agreement or under the new Pacific Free Trade Agreement. We will not have barriers because we will have dealt with our carbon issues here, and there will not be environmental regulations or trade barriers because if you do not deal with your carbon issues, someone else is going to say, "Well, you can't have a bigger carbon footprint; we're gonna look at that before you export." So I think the Canadian government brings a level of government responsible for trade, to actually enable greater trade, and, quite frankly, if the Canadian government can play the same role that the government of New Mexico has played, we will accelerate our ability to get to the kind of carbon market and green economy that we so badly need.

So, thank you very much. Please, take the time in the next couple of months to come and see me one-on-one or in groups. I know a lot of you have been in, and I will juggle my schedule in any way I can to spend time with you. We need to do this with you, and we need to find out ways that these market mechanisms, rather than regulations, enable your leadership to not just the save the environment but also seize the business opportunity. Thanks very much, and God bless. See you again, soon.

Concluding Remarks by Dr. Gordon McIvor

Minister, on behalf of the Empire Club of Canada, and the OEA speaker series sponsors, I would like to seriously and sincerely thank you for joining us today and for providing us with such an engaging and informed speech. You know you started by recognizing the gravity of the situation that we are facing. But to maintain the enthusiasm and the optimism that we have to have to overcome the carbon dioxide impact as we move towards low carbon economies without decimating our quality of life—which I think everybody pretty much agrees on—is one of the biggest challenges that we are facing as a species of this planet that we inhabit.

So we are very appreciative of you for being here today, and we are very appreciative as well that this has become one of your government's most important and top files. We are also—and I think you would agree with this—really encouraged to see that the federal government has added those words 'climate change' to the environmental ministry. Words matter, and we were really encouraged to see that yesterday. We look forward to further developments and working with your ministry as Ontarians help to implement our climate change strategy. As you said at lunch, it takes everyone in this room and everybody that is listening to us to make this happen.

Again, thank you so much, Minister. Hopefully, you will feel a little bit less lonely with some of the recent developments that are going on, and you will find some great partners going forward in this extraordinarily important file, so thank you so much. Thank you.

Ladies and gentlemen, I would like to thank the *National Post* as our print media sponsor and Rogers Television as our broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event at a global level. Please, follow us on Twitter at @Empire_Club, and visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. We have a lot of great events coming up. The OEA has a wonderful event on December 1st. I am sure you will want to join them when they do a behind-the-scenes live interview with Jim Hinds, the Former Chair of the IESO and Director at Hydro One. Here at the Empire Club, we are looking forward in a couple of weeks to welcoming on November the 19th, Premier of Saskatchewan Brad Wall. He will be our third premier in as many months. Also, in early December, you will want to get your ticket and hear the governor of the Bank of Canada talk about what he sees happening in our country's economy next year. And we start the year with our traditional Investment Outlook Lunch on January 5th, so, please, join us for that.

Thank you all, especially, for coming today, for your attendance. This meeting is now adjourned. Thank you.

The Empire Club Presents

CAROL BROWNER: TACKLING CLIMATE CHANGE WITH A MODERN, CLEAN ELECTRICITY SYSTEM

November 12, 2015

Welcome address by the Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property

Good afternoon, ladies and gentlemen. From the Royal York Hotel in downtown Toronto,

welcome, to the 112th season of the Empire Club of Canada. For those of you just joining us either through our webcast, our podcast or on Rogers Television, welcome, to our meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Ms. Carol Browner, former Director of the White House Office of Energy and Climate Change Policy and former U.S. Environmental Protection Agency (EPA) Administrator

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association, and Director, Empire Club of Canada

Mr. Noah Farber, Acting President and Chief Executive Officer of the Asthma

Society of Canada
Mr. Duncan Hawthorne, President and Chief Executive Officer, Bruce Power
Mr. Don MacKinnon, President of the Power Workers' Union
Mr. Bob Oliver, Chief Executive Officer, Pollution Probe
Ms. M. J. Perry, Vice President and Owner of Mr. Discount, and Director, Empire Club of Canada
Mr. Scott Travers, President of the Society of Energy Professionals
Ms. Antoinette Tummillo, Executive Vice President, Real Estate Management Services, Colliers International

My name is Gordon McIvor. I am the Executive Director of National Executive Forum on Public Property. Ladies and gentlemen, your head table.

I would like to take this opportunity to acknowledge some VIPs in the room as follows:

Members of Provincial Parliament (MPPs), Ontario
Marie-France Lalonde, the MPP for Ottawa-Orléans
Catherine Fife, the MPP for Kitchener-Waterloo
Eleanor McMahon, our former Minister of Energy and MPP for Burlington and Dwight-Duncan

Member of Parliament (MP), Burlington
Karina Gould, MP

Welcome. Now, it gives me great pleasure to introduce Mr. Duncan Hawthorne, who is going to do the honours of introducing the speaker today.

Introduction by Duncan Hawthorne, President and CEO, Bruce Power

Good afternoon, everyone. I have the great pleasure of introducing Carol Browner to you today. We have spent time with her this morning at several meetings, so I am sure you are going to enjoy hearing her remarks, and I will go quickly through Carol's very distinguished career. Anyone that knows her background—and I am sure there are a number of you in the room who will know how influential she has been in the environmental field in the U.S.

Carol is a distinguished Senior Fellow at American Progress, Senior Counsel at Albright Stonebridge Group. She also serves on the League of Conservation Voters Board, the Bunge Limited Board of Directors and Global Ocean Commission's and Opower's Advisory Boards. She is also a Council Member of Nuclear Matters, which is a U.S.-based organization advocating for their own nuclear plants as part of a balanced electricity supply mix. Who would have thought? Carol most recently served as Assistant to President Barack Obama and Director of the White House Office of Energy and Climate Change Policy where she oversaw the coordination of environmental energy, climate transport and related policy across the federal government. During her tenure at the White House, she secured the largest investment ever in clean energy and established a national car policy that included both new automobile fuel efficiency standards and the first ever greenhouse gas reductions.

From 1993 to 2001, she served as the Administrator of the Environmental Protection Agency. As Administrator, she adopted the most stringent air pollution standards in U.S. history, set a Clean Air Fine Particle standard for the first time and spearheaded the reauthorization of the Safe Drinking Water Act, as well as a Food Quality Protection Act. She is known for working with both environmentalists and industry to set science-based public health protections while providing businesses with important flexibility on how to meet those standards. She worked across the agency to ensure a focus on protecting the most vulnerable, particularly children. From1991 to 1993, she served as Secretary of the Environmental Regulation in Florida, where she launched the largest ecological restoration project ever attempted in the United States to restore the natural flow of water to the Everglades. Ladies and gentlemen, it is my great pleasure to introduce Carol Browner.

Carol Browner

Thank you, Duncan, for that introduction, and let me thank Bruce Power for the invitation to be with all of you today. It is an impressive list of speakers that have stood before you. I am in awe. I had heard about all the U.S. Presidents who had come. I had heard that the Dalai Lama spoke, but then you told me that Audrey Hepburn spoke, and I thought, "Now, that's really something!" It is just a lot of fun to be here in Canada today and to be with all of you, and, to the MPPs who join us here, let me thank you for your government service and for your leadership. I know they are sometimes not the easiest jobs in the world, and so the idea that you give of yourself, and you give of your families to help make your community and your country a better place is something for which I thank you.

And to the head table: I have had the opportunity to be with many of you. During the morning, we have had a number of great meetings, and I have to say I have learned an awful lot, so, thank you, for helping to educate me on all of the amazing things that are afoot here in Canada when it comes to the issue very near and dear to me, the issue of climate change, global warming, reducing carbon pollution.

Now, you have heard my résumé, and I have had a lot of interesting titles. You heard that I was, I guess I would say, interesting and easily misunderstood. I was Secretary of the Environment for my home state of Florida. I actually grew up in Miami, Florida. My parents are Irish immigrants who went to Florida, went to Miami, which is not the normal Irish immigrant path in the United States, but they settled in Miami, and so I launched my career in Florida where I served as Secretary for the Environment. My husband and I were buying a house, and on the loan application you have to put down your job title, so I put down "Secretary" because that was my job title, and then I got to "Income/Salary," and I was the head of a large government agency, and it was a nice income, so I put that number down, and the woman processing the form looks at it. She looks at me, and she says, "Honey, how did you get a secretary job paying that much? Where do I go?" I tried to explain, but then I moved on and, of course, my next job, as you heard, got me the title of "Administrator"—the Head of the Environmental Protection Agency in the United States is referred to as the "Administrator." It sounds like you are in charge of the copy machine or whatever. You are certainly not setting pollution standards that affect the entire U.S. economy. There were 15,000 people I got the pleasure of working with and a $5-billion annual budget. "Administrator" did not really capture that.

As you might imagine when you run the Environmental Agency, sometimes people are not happy with the decisions you make, and one day someone was trying to introduce me as the "Former Head of the Environmental Protection Agency," and they wanted to point out that I was the longest-serving Administrator of the Environmental Protection Agency but, instead, they said, "And she is the longest suffering Administrator of the EPA." It was actually a tremendous honour, and I am so proud to have been able to serve President Clinton as a member of his Cabinet for all eight years of his Presidency.

My last job in government was when I came back after an eight-year break to serve President Obama. He created a new office in the White House, an office on energy and climate change, and I agreed to join him at the beginning of his tenure to help sort of launch the Energy and Climate Change agenda.

I was quickly given the title by the press core of "Energy Czar." My husband did some quick work and announced to me that there were Czars. They were all men; therefore, I must be a "Czarina," not a "Czar," but that I should also be aware that Czarinas did not exist independent of the Czars. All the power was derivative, and so whatever I was doing was derivative of him. One of the more conservative newspapers in our country eventually referred to me as a "Socialist Czarina," which really made you wonder what they understood about history—apparently, not a lot.

Today, the title I guess I have is "Consultant." This almost got me deported last night. I think when I arrived in Canada. They were curious what the title meant, so I spent some time in a special line. We worked that one through, so I am here. I could have been at the airport.

One of my fellow consultants and business partners, Madeleine Albright, likes to tell a little story about consultants. It is a story about a rancher and a stranger, and one day a stranger drives up to a ranch and says to the rancher, "If I can tell you within fifteen minutes exactly how many head of cattle you have, will you let me take the calf standing right over there?" And the rancher thinks for a minute and says, "Okay. Why not?" The stranger climbs back into this truck, pulls out a laptop, connects to GPS, studies some satellite photos, comes back to the rancher. The stranger says, "You have exactly 1, 149 head of cattle." The rancher looks at him and says, "That's right." The stranger says, "So that means I get the calf," and proceeds to take the calf. The rancher says, "Wait. Hold on a second. Not so fast. If I can tell you within five seconds what you do for a living, you have to give me the animal back, right? That's a deal." And the stranger says, appearing a little puzzled, "Okay. I guess that's fair." Immediately, the rancher declares, "You're a consultant." And the stranger is amazed. He says, "How did you figure that out? How did you know?" And the rancher says, "You came here without being asked. You told me what I already know, and then you charged me for it. Could I, please, have my calf back?" The consulting world is—some of you may be consultants, maybe you can relate to that—fun. I enjoy the people I get to work with, the companies I get to work with, the nonprofits I get to work with, and one of the things I do in my current role, as you heard, is I work with a group called Nuclear Matters, and let me just briefly tell you what Nuclear Matters is about. It is a group of leaders in the U.S. focused on making sure that we preserve our existing nuclear fleet. Now, suffice it to say, when I stand up in front of some audiences as a life-long, committed environmentalist, they are a little perplexed, and the truth of the matter is I was not always a proponent of nuclear power. Like many environmentalists, I thought we should look at other alternatives, but about 15 years ago, 12 years ago, I was working on a paper about energy security from a global perspective with a number of fellow Democrats. We were not in office at the time—Madeleine Albright and Susan Rice and others—and in the course of writing this paper on global energy security, it occurred to me that it really was not defensible to have my position against nuclear given my position on climate change and global warming and carbon pollution, and so I literally woke up one morning and said, "I need to change my position."

What is abundantly clear to me is that the biggest problem the world faces today—one that will have many repercussions across all countries and sectors—is the challenge of global warming. And for Nuclear Matters, what is very clear to us, is if you take the base load nuclear power out of the U.S. mix—(it is about 20%), almost 20% of our base load energy supply in the U.S.—you will only make it significantly, if not impossible to achieve, a real and sort of more immediate reduction in greenhouse gas and carbon pollution. And so the way I have come to think about nuclear power is it is a carbon-free source of energy, and we cannot find ourselves in a situation of sort of digging the hole deeper by closing down nuclear while we are trying to actually achieve greater reductions.

Some of the things I have been able to work on focusing in the carbon arena, you heard about the Miles Per

Gallon. We worked with California. We worked with the auto industry to set a Miles Per Gallon—(I know this is not going to work for you guys because you do litres)—but 54.5 miles per gallon and the first ever carbon standards, carbon emission standards, for cars and trucks in the United States. There is an interesting little back-story to how we found ourselves doing that at the beginning of the Obama administration. When I was serving in the Clinton administration, one of the very conservative members of our Congress—you may have heard of Tom DeLay. He was not a fan of EPAs. He was a Newt Gingrich—part of his entourage—and he was nicknamed "The Exterminator," and that tells you a lot right there, and he and I got into a very public fight one day over whether or not in 1993, 1994 EPA was regulating greenhouse gas emissions, carbon pollution. And I became very frustrated, and I said, "We're not." And then I went on to say, "I'm not even sure we *can* under the existing law because the environmental law that we use to regulate air pollution and the Clean Air Act of 1990 doesn't mention the words 'carbon', 'climate change', 'greenhouse gases,' so I don't know that we can actually regulate it." And he said, "Well, why don't you ask your lawyers?" And so I did. I went, and asked our lawyers, and, being good lawyers, a year later, they had an answer and, basically, it was, "Yes, you can. You have broad authority to regulate pollutants that endanger public health and welfare, and so if you, EPA, makes a determination based on science that carbon pollution endangers public health and welfare, then EPA *has* to regulate."

Fast forward: elections happen; parties change; Mr. Obama comes to office; and we begin the job of regulating carbon pollution. Mr. DeLay, the man who asked the question, is no longer in office. He tried a stint—do you guys get the show *Dancing with the Stars*? He tried a stint on that. It did not go very well. But I am quite convinced he does not understand or know that if he had not asked that question, I would not have asked the lawyers, and there would not have been a Supreme Court decision or there might not have been a Supreme Court decision actually saying that all of the work that Obama is now doing to reduce carbon pollution is, in fact, allowable under the existing law.

I thought I would just spend a few minutes explaining exactly, so we have done cars and trucks in the U.S., and now we are focused on power plants. The President has put forward a plan to reduce carbon pollution from power plants. Some of you are probably not steeped in all the industry power language that we can kind of talk in code. We can have entire meetings in acronyms and understand what each other is saying, but, just very briefly, what the U.S. is going to do or is now doing will require every state to write a carbon reduction plan focused on the electricity sector. They will look at the generating capacity within their states and then what the reductions should be, and then when you aggregate it together, you will have a national reduction.

And there were sort of four factors that they looked at in setting targets for each of the states. One is they looked at the coal fire fleet and, basically, said, "You know what? It can operate a lot more efficiently. So we are not saying you have to make your coal plants more efficient, but we are saying that is an option, and so we will add that into the calculation."

The second thing is they looked at the natural gas turbines. We make an increasing amount of electricity today from natural gas. Similarly, you can make those more efficient. You can run them more often, less carbon polluting. They looked at renewables. Included in renewables were other clean energy sources, like nuclear power. And then they looked at efficiency, and these were sort of what they called the "building blocks" that then gave you a target for each state based on what it is generating, what is the technology available in each of these sectors —coal, natural gas, renewables for efficiency. Each state is free to write *whatever* plan it wants. It may write a plan that is all about efficiency—not likely but it could. It could write a plan that is all about natural gas. Again, not likely, but they could. So there is a *huge* amount of work going on right now in our states developing the first ever statewide utility, energy, electricity sector carbon reduction plans. And because it is the United States, there is also a lot of litigation going on. The lawyers go to court very, very quickly, and we had this interesting dynamic where I think almost two dozen of our states, twenty-four states, had sued saying the Obama administration should not be doing this, but at the same time, they are writing plans just in case.

For those of you who are familiar with some of the work that is going on right here, we met with the Minister earlier today looking at things, like cap and trade using those kinds of market mechanisms to find the most cost effective, carbon reductions. That is likely to happen in the U.S. We are likely to see those kinds of programs utilized, and I know, for example, part of Canada is already working with California, for example, and we may see more and more states working with California and, perhaps, some of your provinces.

So it is a very exciting time. It is a rapidly changing time in the energy sector. We were talking earlier today. I have been involved in various ways in energy production for twenty years, and if five years ago, we had all been sitting in a room, and I or someone in the room had said, "Well, you know, natural gas is just going to take us by storm," we would have laughed at that person. We were busy completing import facilities, and now in the U.S. we are reconfiguring those to export. So I think it is a dynamic sector. It is hard to really appreciate how quickly it is changing, but we are all, the whole world, is now headed to Paris. Your new prime minister is apparently going with quite a large entourage—which is very good news—headed to Paris to talk about how, as a world we can reduce our global warming, our carbon pollution. And the exciting thing about this is it is the first time.—There has been many, many global meetings on climate change, but this is the first time—where coming into the meeting, countries are making commitments. So China has put a plan on the table. India has put a plan on the table. The U.S. has put a plan on the table because, ultimately, it will take the whole world if we are going to be able to address the challenges of global warming and carbon pollution.

And, you know, one of the questions I am frequently asked is, "Are you optimistic? It seems so daunting." And it is daunting, but I will say, in closing, that I am optimistic, and I am optimistic because I do not think that our generation, all of us here, want to be the first generation to leave to a subsequent generation problem that cannot be solved. And, you know, I mentioned the wonderful people I got to work with at EPA—a lot of the best engineers in the country for sure—and even as good as they are they are not able to reverse sea level rises, once we start to experience the consequences: salt water intrusion into fresh water, drinking supplies.

And so I think that I am optimistic because I believe we do not want to leave to a subsequent generation a problem that they cannot solve. It will not be easy. It will take a very "can-do" attitude. It will mean, as in my case, rethinking some of the positions I had previously about certain sectors, about potential solutions as I did in the case of existing nuclear, but I think that we can get this one right!

It is an honour to be here today with Bruce Power and to be here with all of you to talk about this incredibly important issue.

Just one last note: We have not had a national debate in the United States on climate change. I think Candidate Obama, Senator Obama—when he was a candidate for president—would have welcomed that, but his opponent, John McCain, sort of took it off the table by saying, "I agree with you. Don't worry." But if you have not tuned in to our debates right now in the U.S., one thing you may have missed—and I would be happy to share with you—is, we are about to have a very big debate in the United States on climate change, and it is about time.

So thank you all so much for the opportunity to be here. I am happy to answer any questions.

Questions & Answers

Q: What role do you think that nuclear will play to enable electric transport?

CB: I hope a lot. Okay, electric transport, if we start to drive more and more electric vehicles we are going to need electricity, obviously, to power those vehicles, and I think that you do not want to take—cars, emit carbon pollution and electrify them, but then power them with something that produces carbon pollution. The logic of that does not end up working out, and so I think carbon-free, which nuclear is—obviously wind, solar, others—is an existing carbon-free source of energy, and I think it could play a very, very important part in the electrification of our transportation sector.

Q: What is the status/prospect of nuclear being recognized as a green supply for the purposes of the EPA Clean Power Plan?

CB: EPA did speak to the Clean Power Plan. The target that EPA has set for the 50-states—actually only 49 states have to write plans. I spend half my time in Vermont. We do not have to write a plan in Vermont because Vermont does not actually produce any of its own energy. It is all imported from other places. So in the instructions to the states, EPA did specifically talk about the role of existing nuclear. It talked about the opportunities for new nuclear; and it talked about uprates, which means you get more electricity,—more megawatts, more kilowatts—out of an existing facility because the EPA is very, very mindful given that, as I said before, almost 20% of the U.S. base load—that means the stuff you count on morning, noon, and night—is coming from nuclear. It is almost 60% of our carbon-free energy today. So if you were to start to take nuclear off the table at the very time you are starting to try to reduce your carbon, you would only make, as I said, the job more difficult.

One of the things that EPA did in its final instructions to the states is it allowed states to choose the methodology.—This gets a little complicated. They can either focus on a "rate-based" system or a "mass-based" system, and I think many in the nuclear industry would say the shift towards "mass-based" is a very important step. When you use a "mass-based" system, you look at all of the emissions; you set a cap; and then you work out the best way to meet that. And what a "mass-based" will do is also encourage more cap and trade systems where you either auction or allocate emission credits or different names they use and then find the most cost-effective approach..

Just briefly, the original cap and trade program was actually written into the Clean Air Act in the United States in 1990, which was actually signed by Bush 1. It was very much , I think, sort of a more

Republican than a Democratic idea at the time. I had the privilege of really ramping up the implementation when I was running the EPA in the '90s, and the interesting thing is just how efficient it turned out to be. It was in the acid rain program, and so there was a cap on SO_2, sulphur dioxide emissions, and then there were credits that could be traded back. So, if you owned a facility and you were above the cap, you had the choice of buying credits for that differential or perhaps installing technology coming below the cap, and then you could actually sell some credits to offset some of your compliance costs. It ended up really driving down the cost of compliance, and the way we measure that in places, like EPA, is a dollar-per-ton of emission reduction. So in the case of acid rain, it is how much did it cost for every ton of acid rain taken out of the environment. Long before I was at EPA, in the '80s while this was being debated, the electric utility industry did a study that suggested it was going to cost almost $1000 per ton of SO_2 reduction. EPA did a study also before I was there that suggested it would be in the order of $600 per ton. The credits have traded as low as under $200 a ton. It is is proven using this market mechanism, so you do not have to install scrubbers on every single facility but you figure out the ones that really have a life left in them, that warrants this capital investment and then allow companies to sort of work across their fleets or work across a state.

This is what we tried to do under President Obama's leadership in getting the climate change legislation. We tried very hard to get a cap and trade program building on Bush 1's success. Only in politics, right? The party that brought cap and trade to the table ended up turning cap and trade, so we were not successful, but this is the long way of saying that part of what EPA has done now in setting these state-by-state targets is giving states sort of an option, if you will, under the "mass-based" approach which is, I think, preferred by many in the nuclear industry to set up cap and trade. And I think the power generation in the U.S., just like here, has changed dramatically. I grew up, as I said, in Miami, and when I was growing up, there was a company called Florida Power and Light. They made the electricity. They distributed it. They transmitted it. They sent us a bill, and that is how it worked. Today, Florida Power and Light is now next era, and they have facilities in 25 states, yes, 25 states. I do not think they do any distribution or transmission anymore. They just make it. And so, if I am running a company like that, and I am now facing requirements to reduce my carbon pollution, I would like to look at my entire company portfolio and figure out the most cost effective place to get those reductions, as opposed to having to do it by facility by facility or state by state. So I think we are going to see a move towards,—which may mean there can be some cap and trade programs that go across the border. That is not impossible. Already, Toronto is working with California, and that may create some other opportunities.

So, this is a long way of saying to you that these kind of market mechanisms can be quite effective in finding what I would call the common sense, cost effective solution to pressing solution problems.

Q: This is in regards to your comment on carbon emissions being considered a pollutant to be regulated. So this person asks, "What about methane and natural gas releases being tracked as a pollutant, and what is the impact of that on natural gas extraction?

CB: The answer is "yes." No, okay. So methane, for those of you who do not follow the intricacies of natural gas or shale gas extraction, when you bring this up, you also get methane. Methane is a very potent greenhouse gas. There are actually six—well, I am sure the scientists would correct me—but there are a number of greenhouse gases, carbon being one that stays in the environment a very long time methane being a very intense one. So regulating methane emissions makes a lot of sense, and, in fact, the United States is starting to look at how you could actually regulate methane because, again, you do not want to be reducing one climate change, greenhouse gas pollutant and ignoring another and, particularly, since we now in the United States, make more and more electricity from natural gas, that means we are generating more methane pollution. It is important. It is not just in the extraction., it is in the transportation. It is in the use of it.

I learned a long time ago, working in the environmental arena, that all of this stuff is just complicated. Taking things out of the ground is just complicated. Burning things has consequences. It does not mean you do not do them, but it means you think about those consequences, and you figure out how to do it in a thoughtful, non-impactive manner. One thing I will say about the nuclear industry is that I give them a *huge* amount of credit for all of the stuff they have done to ensure safety and the way they work together across the industry around the world to problem solve. I wish there was a perfectly safe way to do all of this. There is not. What that means is we have to have the right government regulations. Most companies are good actors, but occasionally there is a bad actor, so you need a program in place. You need to enforce that program. It is really unfair to a business who is spending money to reduce pollution and be in compliance with environmental law if their competitor is not doing likewise. And so, not only do you need the regulations, but you need the enforcement, and then you need to recognize that industry frequently knows the best way to get there. It is not a situation where the government should dictate the path to be followed. The government should set science-based standards or legal-based standards and then work with industry and the environmental community to find the smartest way to meet those standards.

When we were doing the work on setting the car fuel efficiency standards under President Obama at the beginning of his term, we had everyone at the table. We had the environmental community. We had the unions. We had the car companies. We had state governments- California. Everyone was at the table, and one of the things that the car companies kept saying to us is, "We're about to be in a situation where the U.S. Department of Transportation has one set of requirements for fuel efficiency; EPA has another set for carbon emissions. For the State of California—and with all of these different requirements, it is going to be very, very costly, and it is, ultimately, not going to benefit the consumer." I talked to the environmentalists, and they would say, "You know what? These are really dangerous pollutants. You need to do more." And so what we were finally able to figure out—and I had learned this during my tenure at EPA—is you need to kind of figure out what each party at the negotiation needs. They do not each need the same thing. Try and give them each a little, so you can find the common ground and move forward. The end of the story is we gave the car companies one set of rules, not three different rules that were going to bump into each other, in exchange for which we got more environmental benefit. They got certainty and predictability. The consumer got a car that goes further on a gallon of gas than it did previously, and we all got cleaner air to breathe, and that is sort of the, I think, the sweet spot of how you manage government regulations. In that particular case, nobody sued. But that is unusual.

Q: This one is not from the floor. It is actually from me, but we do not want to let you go without commenting on the biggest energy announcement to come out of the United States in the last week or so as far as Canada's concerned, and that is Keystone. And a lot of people listened to President Obama's declaration as to why he was turning it down, why the United States was not going to accept it. But then in the background, we heard a lot about the economics of it, and that it increasingly did not make a lot of sense economically for the United States to be importing that type of oil which is more expensive than other types of which there is a glut now. Do you have a position on that?

CB: Well, I think, again, the energy sector is fast changing, and what economically might have made sense five years ago, may or may not make sense today, and I am not an economist, so I do not think it would be appropriate for me to comment on that.

Look, I think the Secretary of State, John Kerry, who had authority over this— and the President, —have thought about this very, very carefully, and I think they had to meet all the legal requirements. I think the President, when he said in the announcement that while we work to reduce our carbon pollution, bringing more carbon into the atmosphere is not where he wants to be, I assume it was a hard decision for some here in Canada, but I think it was a very carefully thought through decision on behalf of the President and Secretary Kerry.

I would hope that our two countries and our governments, as we go forward, can find ways to work together on clean energy because I think there are incredible, incredible opportunities, and it is—obvious you have just had an election. I guess that, perhaps, surprised some people in terms of where it ended. As you are well aware, we are about to have an election, but we take a long time in getting there, so we will be debating for a year who should be our next president, but my strong hope for both of our countries is that we can find ways to work together to create a better future.

Thank you all very much.

Note of Appreciation by Bob Oliver, CEO, Pollution Probe

Thank you very much. I want to thank the Empire Club for hosting this event, and I want to thank the sponsors, Bruce Power, the Asthma Society of Canada, the Society of Energy Professionals and the Power Workers' Union for sponsoring and making it all possible. It has afforded me the opportunity to meet Ms. Browner in person, and I followed your career for quite some time. I got into the environmental business about ten years ago, and one of the first things I started working on were fuel efficiency standards for vehicles, and greenhouse gas emission standards as what they eventually evolved into. And Environment Canada—(I was working closely with them)—were working closely with the EPA; and that is how I came to know what a policy-making powerhouse the U.S. EPA is. And when we talked about your presiding over the implementation of the most stringent North American air quality standards, frankly, they were the *world's* most stringent air quality standards, and they still stand that way.

So I think it is good that you are here in Canada because I think it is this type of cross-border collaboration, this North American approach to climate change and clean energy strategy that is going to serve us much better.—I think perhaps the Keystone example is a good warning of how things can go off the tracks if we do not take the time to really ensure we have got principled dialogue and a good relationship to anchor those discussions going forward.

A couple of remarks I wanted to make on your words: First of all, your anecdote about being referred to as a "secretary". Obviously, in government, a "secretary," "administrator"—these are high-powered titles, and, of course, the inverse is true in most people's work lives, and that can lead to some interesting confusion. I just wanted to share maybe a similar anecdote: Our former prime minister, Joe Clark, who we refer to as the "Right Honorable Joe Clark." He was explaining to me once that he kept on getting this series of confusing phone calls from a telemarketer, who kept on looking for "Mr. R.T. Hon." "Is R.T. Hon there?" R.T.: Right. Hon.: Honorable. Anyways, I think it was years before I think he figured that one out, but that is why we need to be talking.

I am going to have a difficult time. —You are going to have to give me a little bit of time to get to the point where I can actually congratulate Tom DeLay for the Greenhouse Gas Emissions Regulations. I will get there. I will get there because I am going to follow the evidence. If the evidence says he did, I am good with that. And that is one of the things I did find most poignant about your remarks, Ms. Browner: When we commit to science-based and evidence-based policy-making, that is a courageous step because what you described in terms of your transformation is a triumph of science over ideology. We always come with our biases and our ideologies to these issues, but we have to be willing to confront the realities and see where that leads us. It is not always comfortable, but I think we have to believe that evidence-based policy at the end of the day is where we want to go, and I think your work with the EPA and your transformation of that department into a very strong and sound science- and legal-based institution is not only serving the U.S. very well, but it serves Canada tremendously well, and I hope that, notwithstanding your reference to being a consultant, that we can continue to consult with you in years to come. The state-by-state, climate change,approach to creating a national climate change strategy is also something that I believe our current federal government is committed to in terms of working with each of the provinces to develop a comprehensive strategy. So I am certain there is much we can learn from you as I have learned over the years, and I will look forward to the next visit you have up here. Thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thank you, Bob. Thanks again to our speaker. Absolutely wonderful speech and quite something to have our second President Obama advisor in this season already. It is amazing. Thank you again to our generous sponsors today. As Bob mentioned, the Asthma Society of Canada, Bruce Power, Pollution Probe, Power Workers' Union and the Society of Engineer Professionals. I would also like to point out that—and I am sorry I forgot her before but—Karina Gould, the MP for Burlington is in the room. So glad you could join us today.

We would also like to thank the *National Post,* which is our national print media sponsor and Rogers Television, our television broadcaster. Also a big thank you to Mediaevents.ca, Canada's online event space, for live webcasting today's event at the global level. Follow us on Twitter at @Empire_Club, and also look us up on Facebook, LinkedIn, and Instagram.

You will find that we have a lot of very interesting programs over the coming weeks. We hope you will join us. Next week, we are welcoming our third Canadian premier this season, Premier Brad Wall, premier of Saskatchewan, who will be at the Arcadian Court. Following that we have got the head of CBC Television coming to talk about what is next for the Canadian Broadcasting Corporation. That is Heather Conway, who will be with us on November 20th also at the Arcadian Court. The Governor of the Bank of Canada will be here on December the 8th at the Metro Toronto Convention Centre talking about Canada's economic outlook for the next year, and that will be followed at the beginning of the next year, our very first event in 2016, with our financial outlook lunch on January 5th, right here at the Royal York Hotel. Finally, we just booked Chief Justice Beverley McLachlin for next June 3rd who will be talking to us about the relationship between the Supreme Court and the Government of Canada. I imagine her speech has been recently changing.

Ladies and gentlemen, thank you very much for your attendance today. This meeting is now adjourned. Thank you.

The Empire Club Presents

HEATHER CONWAY & GREG O'BRIEN IN CONVERSATION:

YOU, ME AND THE CBC

November 20, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the 112th season of the Empire Club of Canada. For those of you just joining us through either our webcast or our podcast or on Rogers Cable Television, welcome, to this meeting. Before our distinguished speaker is introduced today, it gives me great pleasure to introduce to you our head table guests.

HEAD TABLE:

Guest Speaker:

Ms. Heather Conway, Executive Vice President, English Services, Canadian Broadcasting Corporation

Guests:

Mr. Greg O'Brien, Editor and Publisher, Cartt.ca
Mr. Jamie Brown, CEO and Executive Producer, Frantic Films
Mr. Scott Garvie, Senior Vice President, Shaftersbury/Smokebomb/Shift 2
Ms. Jocelyn Hamilton, President, Entertainment One Canada

Dr. Nona Macdonald Heaslip, Past President, Empire Club of Canada; Radio and Television Production, Canadian Broadcasting Corporation; Public Relations, Time Incorporated New York and the University of Toronto
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Ms. M. J. Perry, Vice President and Owner, Mr. Discount; Director, Empire Club of Canada
Ms. Andrea Wood, Senior Vice President, Legal Services, TELUS; Past President, Empire Club of Canada
Ms. Phyllis Yaffe, Chair of the Board of Directors, Cineplex Entertainment Corp.; Lead Director of the Board of Directors, Torstar Corporation

Introduction

Few organizations have spoken more often at the Empire Club than the Canadian Broadcasting Corporation. While the Club was already well into its 26th year of operations when the Aird Commission on public broadcasting recommended that the country set up a national radio broadcast network, it immediately became very interested in this new idea as it was being presented as a way for Canadians to tell their own stories, not those of its much larger and more powerful neighbour to the south. This was after all was one of the reasons that the Empire Club of Canada was itself set up in 1903, as certain groups of influential people in Toronto were floating the idea that Canada would be better served by joining the United States. Our founders, like those of the CBC, were entirely convinced that Canada was a remarkable and unique place that needed to be friends and partners with the United States but certainly not part of it.

Eventually, the country set up in 1932 the Canadian Radio Broadcasting Commission, which was replaced in 1936 through the new Canadian Broadcasting Act with a Crown corporation that would become known as the Canadian Broadcasting Corporation. This new Crown corporation was in reality born out of the CN Railway. Many of you may be aware that CN used to have something called the-the CNR Network to entertain its customers as they travelled across the enormous geography of Canada thereby giving them a distinct advantage over their archrivals CP Rail.

By the end of the 1930's, Canadians were listening to farm broadcasts, hockey games, and royal visits on their newly acquired radio sets. And, of course, the network became the prime source of information to all citizens throughout the Second World War. On January 1st 1941, the CBC News Service was formally opened, and, for the first time in its history, Canada and Canadian voices could be heard explaining world events to Canadians through a Canadian lens. It seemed like a natural progression for the inhabitants of the northern part of the continent. And all was good. By the time legendary historian and broadcaster Pierre Berton stopped by the Club almost exactly 30 years ago today, to commemorate the 100th anniversary of *The Last Spike*, it was not in the least surprising to hear him talk about the CBC as an institution that had helped Canada grow strong as a nation by being a unifying force, a kind of a glue that saw us through difficult times and held up a mirror in front of us which allowed us to better know, appreciate and celebrate each other as Canadians—not just non-Americans living as friendly neighbours alongside Uncle Sam.

Now, not everyone in Canada, of course, saw it that way to be fair. Some Canadians had difficulty with the concept of an artificially propped up organization that could not survive in the North American media market and lamented that tax payers were supporting something that our American cousins would never have done in their homeland. Others were uncomfortable with a government-owned organization being critical of their own sole shareholder or bureaucrats being put into the creative sphere of entertainment. The CBC was at times even threatened with closure, and, on occasion, the Canadian government would threaten or would treat its own child in a fashion that seemed akin to a severe form of tough love, asking it to become increasingly more competitive and to carry on even in the face of enormous budget cuts and increasingly limited access to government newsmakers. Talking heads predicted on numerous occasions the end of CBC or at least of CBC Television; radio was never as much of a target, which they saw as death through 1000 cuts.

In recent years, CBC itself has, on occasion, become the story, which, of course, is something that every journalist knows is dangerous territory. Certain journalists were engaging in behaviour which was questionable, to say the least, and yet, and yet, through it all, CBC is still standing strong and tall—still the network that our new Prime Minister allowed to follow him around for his entire first day in office. It is still the network that we trust to watch our election coverage on or to get insight into the horrific wave of terrorist attacks that hit Paris at the end of last week. Great timing for the incumbent head of CBC Television, Heather Conway, to address the Club today through a conversation with media observer Greg O'Brien on the subject to of "You, Me, and the CBC."

Before I pass it over to Greg and Heather to begin their conversation, we would like to offer a look at some of the great programming that CBC has on offer right now, beginning with the Empire Club's favourite episode of the *Murdoch Mysteries.*

And just for the record, no one at the Empire Club ever did shoot at Mark Twain, okay? Ladies and gentlemen, we are delighted to welcome back the CBC to the Empire Club of Canada. Please, join me in welcoming to our podium the executive vice president of English Services at the Canadian Broadcasting Corporation, Heather Conway, in conversation today with the head of broadcasting industry news leader Cartt.ca, Mr. Greg O'Brien.

GO: Well, thanks very much. Good afternoon, everybody.

Thank you to CBC and the Empire Club for inviting me to do this. This is an honour and a privilege for me, so we will hop right into it.

HC: Sure.

GO: Let us talk about this new government. You have been at CBC for less than two years, so you have not been through the whole time it was under the Conservative government where there were lots of cutbacks, where a good year was considered a year where they held the line on what they gave in the CBC appropriation. And that led to a lot of painful times—cutbacks and things like that, and a lot of people have left the CBC. And combine that with ad sales decreasing—it has been difficult. Now, you have got a new government—a $150 million dollar commitment in raising the appropriations of the CBC, so what is that going to mean for the CBC, and what are you going to do with that additional cash?

HC: Well, I think it is fair to say, inasmuch as I have not dealt with a lot of the historical cuts, obviously, due to my short tenure, I certainly had to deal with some challenging times in the post-hockey period and some of the immediate challenges faced by that. I had to deal with, also, as you identified, a real series of difficult sector issues around advertising. That said, when I think about the opportunity for the CBC in the future, if there is funding, I look and I say, we have a strategy that we announced a year ago—just over a year ago—

that actually has some very compelling strategic reasons for making the choices that we made that were not all about cost-cutting. And I would put in that category things like getting out of professional sports. I just do not think we can compete in bidding for professional sports rights with taxpayer dollars effectively, and I am not sure it is a good use for the public broadcaster's funds. I would also put in that category our decision to privilege digital first in our local news offering. You know, I mean we all carry around smart phones: You look at a smart phone to say "what's new." That is what I do sometimes with horror and sometimes with interest. But "what's new" is what your smart phone is for, and I think people want news to be updated that way. I do not know that anybody here is going home to look at 90 minutes of supper-hour news. And so making that kind of a shift, I think, is the right one. I know our staff does support that. They would like to be at the forefront of the digital revolution, and I think it is meeting the needs of Canadians where they go.

So there are lots of those choices that were made that I do not think anybody would undo. There are other choices that we have made that were just about cost cutting, right? So there are high repeat rates on radio for programming; we would reinvest in radio programming. And on English Services, we stopped recording live music in radio. That was not a strategic decision; that was just a cost cutting decision. So there are lots of areas where we would look to do reinvestments. I think—

GO: Have you identified any and specifically yet? Or is it still too early?

HC: Well, I think when you—let me come back to that question—

GO: Sure.

HC: —and just finish the kind of categories that come to mind. The third category would be things that are true efficiencies and choices about integrating the French finance services with the English finance services, for example where, you know—why do you have two separate systems? Why do you have another group of people who reconcile those things? That is not a great use of funds. So, with all the choices that you make, you want to privilege content overall. That is what Canadians want from the CBC; that is what Canadians pay the money for; and I think that is what the people who work at the CBC want to privilege whenever they are making choices. So, you know, are there things? For sure there are things; I think we would invest more in content. We have high repeats on TV as well.

And you have a whole other category called "The Government Has Priorities That It Will Want to Highlight," you know. I have heard the government talk about the need to focus on Canadian feature films on the CBC.

GO: Right.

HC: I have not heard details about whether that is in terms of financing, showcasing. Is it discoverability? Is it promotion? But, you know, we do not determine everything to do with the CBC, I think.

GO: Right.

HC: There are lots of voices.

GO: Is there a sort of a wish list by which you say, "Gee, I really want to go back to doing this that we used to do" or "We want to go forward and do this that we have never done."

HC: Sure. I mean, for me, I think people use the word love to talk about three things: Food, their family, and CBC Radio. And we had a plan to go into more communities that were underserved or unserved with CBC Radio, and that plan was shelved with budget cuts. And so, again, getting service to Canadians, getting content to Canadians—those are the choices I would make, so I would love to go back to that plan and say, "Okay, where were we going to go? Let's look at that."

We got out of radio drama. We stopped recording music—

GO: Right.

HC: Again, I think we would invest more in prime time content for the television schedule. Obviously, invest in digital. We are a leader in digital, but digital is a huge expense—

GO: Yes.

HC: —both from an infrastructure and a content point of view. I also think there are things where there has been dialing back over the years. And things like foreign correspondent bureaus—now, you know the model has shifted. You do not generally set up a really permanent, expensive infrastructure, but you would set up a pop-up bureau in certain places. And we have done that from time to time. We had a pop-up bureau in a couple of spots in Africa.

GO: And the technology enables you to do that.

HC: It does.

GO: Whereas in the past you would need an entire van with a huge mast, you can now carry around a little briefcase that ties into the cell phone signal, and you can have just the reporter, his camera, and this little box that communicates live TV.

HC: Right.

GO: The technology enables you to do that.

HC: Right. So, if you want a wish list, those are the things that are top of mind for me.

GO: Yes, I can comment on two things: I do some TV stand-ups and things like that just for my industry, and I never get more comments from people saying "I heard you" as when I have been on CBC Radio. I have been on TV, and I get a ton of "I heard you on the radio." And it is generally CBC.

And as a reporter, I can see how the CBC has also rationalized its cost as well, because I go to a lot of these events that the CBC comes and covers, and, years ago, CBC Radio, TV—English and French—would come with all of these crews, so there would be a ton of people there all from the same organization. And I know that you have pared that back to make that much more sensible. Granted, people have lost their jobs, but it makes it more efficient for the corporation.

HC: Well, I think what has happened is that the jobs have been transformed, so, rather than having a sort of a camera person, a sound person, et cetera, et cetera, you might have a digital video journalist with an iPhone. And it is a high-definition product; it has got good sound quality—you *can* produce something and *more* of it. So when you look at the local offer, rather than having an update of the news eight to ten times a day, you can do eight to ten times an hour with iPhones, with technology. So, the digital technology shifts the kind of hiring; it does not necessarily eliminate jobs; it shifts the kind of jobs.

GO: And you are seeing that come out of the journalism schools—

HC: Yes.

GO: —where the kids are being trained to do everything.

HC: Yes, and, actually, some of them do not like having an editor. If you do have an editor for it, they say, "Oh, we're going to edit your piece," and the kids say, "No, you're not; I do my own, thank you."

GO: Well, they all have to learn when they come out, right?

Now, when you look around and see what is going around in media around the world, there is just a crazy number of changes—it is hard to keep track of them all. You know you add that to what private sector channels are already doing, and add onto that what our much-challenged and much-changed regulations, and you have got a lot of people saying, in this basically zillion-channel world, do we need a national public broadcaster, anymore? I know you disagree with that; I disagree with it as well, but I am going to let you speak to that because that is a prevailing opinion out there.

HC: I think, not only do you need it more, I actually think your opportunity to distinguish yourself has never been greater. And I will go into both a little bit more. You need it more because we actually are the only country that sits next to the largest English language entertainment and information market in the world, and for us to not determine that we need to have our own voice, our own identity, our own perspective on our own events, world events, their events—for me it is not a difficult or debatable issue. On the second matter of *How do you stay relevant? How do you continue to connect with people in a thousand-channel universe?* in some ways your mandate helps you with that. I have said to Sally—and we have talked about the programming strategy for television—if it can be on any other channel it should not be on the CBC. It should look and feel different. And you know when you are driving around, I never have to hear a call frequency; I *know* when I am on CBC Radio. I know the tone; I just know I am there. I would love it if one day we could get to there with television, where you know, and you feel "I'm here."

When you look at the arts programming that we are starting to put on, you look at our commitment to documentary; you look at our commitment to Canadian comedy, Canadian drama and prime time. Comedy is a cultural product it is. Nobody else is doing political satire kind of comedy, *22 Minutes*, *Rick Mercer Report*, *Still Standing*—Jamie is sitting there, very successful show, thank you, Jamie. To me, it is vitally important, and it does help you to define your brand more and more in a world where everything else is starting to look more the same. And I think that is when consumers are starting to say, "What do I care who my provider is? It's all the same." CBC is not the same.

GO: And I know from watching the industry as a whole, as high speed connectivity brings the entire world together, you have got countries like France and Australia looking to push back against the U.S juggernaut because the distance does not keep them as separate as it used to.

HC: Right.

GO: And we were always right side by side, so we had to have our own regulations and protections to build our own industry. But you are seeing France talking about a Netflix tax and Australia putting up a few more borders to protect their own people, so people are starting to feel you know the border conundrum that we have felt for years here.

HC: Yes.

GO: You talked a little bit about the CBC's 2020 strategy, and the emphasis on digital first. Along with traditional radio, TV, you have got CBC music, podcasts—a bunch of things. Where I live in Hamilton, you have a digital-only station—has no TV, no off-air radio.

HC: Yes.

GO: There is a bunch of things: I once did a radio hit in Nova Scotia from the studio inside the CBC Hamilton on James Street North, so as everything sort of changes to you know, Apple is predicting that when TV is gone, we are all going be in an all app world. And you are shifting to digital first, so what can that mean in the grand scheme of things for CBC?

HC: Well, I think, like every other media company in the world, we are trying to keep abreast of giving our audiences what they want, when they want it, how they want it, et cetera, et cetera. And so all of those initiatives that we have been making into digital and interactive and relationships and partnerships with iTunes, and Netflix and SVOD and AdVOD—all of the stuff—are all in an effort to make sure we maintain our relevance, maintain our competitiveness.

You know, people had said that TV would be the death of radio, and radio would be the death of newspapers," et cetera, et cetera. Now, people are saying digital will be the death of any traditional company. I think what is happening is things are getting broken down into distribution models, content creation models. What is interesting to me, and what is troubling when I think about the future of all media companies—not just the public broadcaster—is technology companies have very low barriers to entry to the content business.

GO: Yes.

HC: So Amazon can put a bunch of money against content creation, and they can surface a transparent or, you know, some exceptional quality shows. The barriers to entry for a traditional broadcaster to become Amazon are much higher, and so the scalability, the requirement to put billions of dollars into constantly upgrading software, constantly upgrading infrastructure, you know…those are the questions that I think are troubling for people in the traditional sector.

GO: Well, and, at the same time, you can operate a network of transmitters that could cost—depending where they are—around $30,000 a month just for hydro power. And you know, that is something that the newcomers to media do not have to do at all. But that is kind of in your mandate as part of the Broadcasting Act to be all things, all people and distributed everywhere.

HC: Right.

GO: And so, it is not an easy thing to do that.

HC: It is not, but it is part of our relevance, right? I hear people from time to time say "Oh, the CBC should get out of local and should focus on this or that"—

GO: Or shut down transmitters, and—

HC: Yes. But our connection to Canadians is in the communities where they live and work, and we need to be there. We need to be committed to those communities. These are the people who pay for the CBC, love the CBC, listen to the CBC, tell us when we are doing well, tell us when we are doing badly. To me there is no more direct connection than our local services, and so I think it is deeply important that we remain committed to local television. And, yes, it is costly.

GO: Yes, so sticking with the digital for a moment and that

Hamilton station—do you see that being…? I know that you were going to do it in Waterloo—

HC: Yes.

GO: And that was pulled back. Do you see that being replicated in any other places?

HC: Yes. It is a service.

GO: And it certainly adds diversity in Hamilton. I keep track of what is happening on CBC Hamilton via my Twitter feed.

HC: Right. Yes, I think it is a great model, and I think we would replicate that in other communities that either do not have a service or are underserviced. If we had a lot of money, a place like Hamilton is a somewhere we would look to bolster the digital service.

GO: Okay. Let us talk about CRTC or, more specifically, the CRTC's "Let's Talk TV" process.

HC: Sure.

GO: That is gradually rolling out now. The big date is March when distributors have to launch a skinny basic package of $25 a month, and then you would add on à la carte channels with that, so there is a deadline of March and a deadline in next December. I moderated a panel at CTAM yesterday that talked about trying to maintain the value of large channel packages and to communicate that to the consumer, but CBC does not have a lot of specialty channels so how is this going to impact you?

HC: I mean on the one hand I would say that I hope not very much. CBC Television is part of the skinny basic. News Network is currently in, I think, 11 million Canadian homes. It is the most watched news channel, so my hope would be that that is a status we can maintain. I think people, as Gordon pointed out, turn to CBC News and News Network when events that matter are happening, and so I think Canadians do look to News Network and say, "Well, that's a channel that I would want if I am looking to add a news channel to my skinny basic. That is the one I would pick first."

I think the Documentary Channel is in fewer homes. It is sort of between 2.7 and 3. Documentary, for me, is a genre that is actually growing in interest. It used to be considered more of a niche than it is now. I think a lot of people and, especially, young people like it. We are increasing our commitment to doc on our main network and on the doc channel.

Again, the opportunity there is *Should we invest more dollars in marketing? Should we invest more dollars in featured docs? Should we look at ways to make that channel as compelling as we possibly can to give it the best chance to get carriage and be a channel of choice for Canadians?*

And then I look at it as a consumer and leave aside all of that, and I say, "Oh! You can do pick and pay! You do it!"

"No, you do it."

It is just the inertia, you know. "I like my package; I do not want to change it. It is too much trouble on one hand, and I actually am satisfied with the service." I do think the power of inertia is being underestimated here as to how much change will really occur.

GO: And also the way it is being split up—if you look at the States, there is Hulu Plus and Amazon Prime and Netflix, and you stack on all of that on top of if you like sports and you need a broadband package, and you are quickly getting close to what you are paying for cable if not more already. You can do a quick search online and find a few of those graphics out there—it is quite interesting.

HC: I mean I am a little bit pricey and elastic on it because, obviously, I am in the industry, but I pay a really significant amount of money for all these services, including Netflix, and, you know, you are getting a lot of choice; you are getting a lot of services. I like it.

GO: And if there is one thing that the last 50 years have proved, it is that people always want more video, and, if it is a decent price and easy to get, they will pay for it.

HC: Yes, you know, I increasingly hear people talking about it in terms of the internet and digital offerings. You know, the cat videos are like the classified ads of the old days when, one might say, "I'm not paying you for that; it's a cat video." What I will always pay for is premium content. People will pay, even on the internet or if it is digitally delivered; they will pay for premium content. Great content will always be something people look for and say, "Okay, I actually want that." I think the we forget in the noise that we actually have lessons. I looked at Bell's deal with Corus around HBO: Premium content. That is a premium content play right there—and a smart one.

GO: Great. Now, we have got maybe one minute left, so I have got one last question for you before we open it up to the audience for questions.

You have put it out in front that the CBC is central to Canada's cultural ecosystem, the place where people go for unique Canadian content, and that part of your 2020 strategy talks about a bigger focus on content creation and production that takes place outside of the CBC—such that you would go anywhere. What does that say about the production centre in Canada? Does it mean that Canada is in a good competitive position in the production sector—kind of similar to the advantages we have had in the manufacturing sector, in auto, in agriculture? How do see that playing out?

HC: Well, I think there is a CBC-specific and strategic reason, and then there is the broader issue. In terms of the CBC, specifically, and our decision to exit what was really the last in-house production area for us, which was documentary, it was in part to reinforce that we are Canada's largest cultural institution. We are the public broadcaster; we are not the public producer; we have a thriving, *thriving* independent documentary community in Canada, and we want to provide a place for those documentaries and those ideas and the creativity of people outside of our own who are talented, wonderful documentary makers as well. It is to say, "Look, there are Aboriginal voices; there are women's voices; there are voices that have not been heard as loudly or as often, and part of our role is to actually trigger that, so seeding the independent community is deeply important.

I also think people do not have a great understanding that if I am spending about $100 million on the prime time television schedule, that actually triggers $300 to $350 million in the independent sector in this country. If I do it all in-house, it is $100 million. If I spend it out of house, it triggers $350 million in activity, and I think that is also a deeply important role for the public broadcaster to play—to actually create jobs in the creative sector.

The broader issue, you know, and I am envious about it and will be very candid about it is that I am envious of the creative Britain campaign that happened that said, "Look, you cannot outsource your creativity;

it is a strategic competitive advantage. You can make the creative sector a strategic sector in the same way you have traditionally with manufacturing, with some of our extraction industries." And I think that requires real leadership from all levels; it requires our industry to be leaders; it requires that the CBC to take a leadership role; it requires that the government work, that everybody work together to say, "Let us actually start to invest in this sector as a strategic sector that creates great jobs for Canadians, that has great training." It has a sustainable competitive advantage, you know. No one else can do your creativity for you, and it is, I think, exciting to think about the possibility of bringing people together around a big idea like for the creative sector.

GO: Yes, absolutely. That is just perfect. We are turning it over to the audience for questions now.

Q: (From Mélanie Joly:) CBC should prioritize digital and Canadian film. What is your view?

HC: Well, I think I did address some of that. I certainly think that the public broadcaster is a great place to promote Canadian film. If we had funding, I think we would also be a great place to actually pre-license Canadian film and be part of the financing to trigger things and make them happen. And in digital—you know, CBC is the number 1 digital news site in the country. CBC has also announced that it is implementing a strategy to privilege digital first. We are one of the biggest downloads on iTunes; we are in digital; we love it; we are doubling down on it.

Q: Canada is a multicultural country, and, as the saying goes, the world comes to Canada, so should the CBC be doing more to encourage the production of Canadian shows that are aimed at an international audience? Should we be doing this more—exporting our television shows?

HC: That is a really hard one to do as a rapid fire because the whole financing of Canadian content is about creating domestic content. I think Lisa Clarkson, who is here in the audience and is my business and rights head, would have an easier time answering this question. But, yes, you want to be able to help Canadian artists and Canadian creators use the CBC as a platform for export. But you need a home address. To be a great creative exporter, you cannot go to the world and say, "I am Canadian, and I am confident, and I can make something" and not be able to point to any show that anyone in Canada bought or looked at.

Q: (From Richard Stursberg:) What is you view on A) that the CBC is dying and B) that the CBC should broadcast only populist programming?

HC: Well, I think the reports are premature, as they say. I actually have never been more optimistic about the CBC. We have a great strategy; we have a promise of some more funding coming. I think we have focus. I think we know what we are doing, and, I do not think it is a trade-off of one or the other. I think a show like *Still Standing* and like *The Story of Us*, which Julie Bristow's company is making for us for Canada's 150th anniversary, are entertaining, and they do not have to be populist to be popular. I think you can have both: I think you can have quality shows that are also interesting. I watched some of the puffins documentary last night, and who knew that puffins were so entertaining!

GO: And what is "populist"? What is populist for somebody may be ballet on TV, and, for others, popular programming would be the world's scariest police chases.

HC: It is a constant debate. The BBC has this debate all the time, and they are having it again. And I think where everybody ends up coming down is to say that you do not have to choose one or the other. I think your ideal is that you are hitting a sweet spot when you have both.

Q: Merging back off as functions and crews often means that Francophone's must operate in English. Are you concerned about this?

HC: I think that in some cases it means that some of the positions are by necessity bilingual. We are a Crown corporation; people are allowed to work in the language of their choice, and I hope that everybody is able to do that. If they are not, certainly, they should put their hand up, and we will deal with it.

Q: Who is your audience, and are there niches?

HC: Our audience is all Canadians. I certainly think there are niche audiences for some of our programming, but, by enlarge, we are trying to be able to produce things that the whole country can find and engage with whether its digitally or on television or on radio. I think people would be surprised at who our audiences is. I saw a series of reports not long ago that said that 50% of millennials touch the CBC every month, and they touch it, interestingly, through our news. That is one of the primary areas where they touch us. Then you see other data that shows you that a show like *Schitt's Creek* has very, very high co-viewing between parents of 20-year-olds and 20-year-olds. And so who your audience is depends on what product you are talking about, what service—but everybody potentially.

Q: Does radio and television have the history of Canada emphasized in programming, as we get ready to celebrate our 150th anniversary in 2017?

HC: I think you have to do both. I think you have to emphasize the history of Canada and the future of Canada. Canada is a country that is just 150 years old, and that is a nanosecond in terms of the history of the world and the history of some other countries. And so we are making our history. Even as we make shows like this, we are making our history, so *The Story of Us* will be about some of the choices that we made as we got here, and then we have other material, like, you know, the great documentary that we are doing a refresh on, *Canada: A People's History*—not the entire series. We also have digital initiatives underway; we have joint projects that we are doing with our colleagues at Radio Canada, so there are tons of both backward-looking and forward-looking material for 2017.

Q: (From Dave Huband:) When will you be giving me my own series?

HC: Pitch me your show, Dave! To be fair, I am actually not the person who would decide, and you have just given me a wonderful opportunity that I will not miss to say that the person you should probably pitch is

Sally Catto, who has just been named Programmer of the Year by *Playback* magazine.

Note of Appreciation by M. J. Perry, President & Owner, Mr. Discount; Director, Empire Club of Canada

I am about to say something heretical for the Empire Club of Canada: I do not think of the CBC as a business; I think of it as an expression of a nation. I grew up with the CBC and learned to appreciate opera because of the CBC—hearing it every Saturday afternoon. I began to know how important life cycles were because we would watch the *Hockey Night in Canada* every Saturday night. I was allowed to stay up late, and bedtime came when I had to say goodnight to our pet Juliette. The children's programming to help our young people, in my era, was *The Friendly Giant* and *Chez Hélène*, and I still, occasionally, get to watch some of the children's programs with Patty Sullivan when I am looking after friends' children, and I enjoy it immensely.

It is a thing that has drawn us together as a people when the whole nation cried together with the Springhill disaster. In our era of niches and everyone worrying about themselves, it pulls us together as a nation. To help us understand the transitioning and to help us know who we have become from being a dominant one-culture to maybe two-culture nation to a wonderfully diverse nation, CBC has been there and helped us. Thank you not only for explaining today but also just for being there and helping us be the people we are.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, M. J., and thank you to our generous sponsors today, Canadian Media Production Association and Entertainment One. I would also like to thank the *National Post*, which is our print media sponsor and, of course, Rogers Cable, which is our national broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space for live webcasting today's event at the global level. Ladies and gentlemen, please, follow us on Twitter @Empire_Club, and visit us online at empireclub.org. You can also visit us on Facebook, LinkedIn and Instagram.

We would like to invite you to some really great events coming up in the following weeks. In two weeks' time we have the governor of the Bank of Canada, who will be here on December 8th to talk to us about what the economy is going to look like next year. And on January 5th, we have at the beginning of the year, our Annual Investment Outlook Luncheon, which, this year, is entitled "Making Money in 2016 from Domestic and International Financial Markets." Also, we just booked Chief Justice Beverley McLachlin, who will be joining us on June the 3rd next year. We are really excited about that.

Thank you very much for your attendance today, ladies and gentlemen, and this meeting is now adjourned. Thank you.

The Empire Club Presents

STEPHEN POLOZ
GOVERNOR OF THE BANK OF CANADA

December 8, 2015

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Metro Toronto Convention Centre in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are joining us either through our webcast or our podcast or on Rogers Television, welcome, to our meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce to you our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Stephen Poloz, Governor of the Bank of Canada

Guests:

Ms. Anne Curran, Executive Director, Australia-Canada Economic Leadership Forum; President, T.F.C. Inc.; Past President, Empire Club of Canada

Mr. Bill Downe, Chief Executive Officer, BMO Financial Group.

Mr. Moti Jungreis, Vice Chair, Fixed Income, Currencies and Metals, TD Securities

Amber Kanwar, Anchor and Reporter, Business News Network; Director, Empire

Club of Canada
Ms. Claire Kennedy, Board of Directors Member, Bank of Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Ms. Verity Sylvester, Strategic Search Consultant, TEEMA Strategic Search; Past President, Empire Club of Canada
Mr. Bill White, Chairman, IBK Capital Corporation; Director, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

Introduction

Prior to the Great Depression, Canada had gotten along without a central bank, and the Bank of Montreal acted as the government's banker. They had a lot of competition, to be sure, from the Royal Bank of Canada, for example, which was very focused on taking away government business from its arch rival. But the system seemed to work pretty well. Suddenly, with the deepening recession in Canada or depression in Canada, the economy was in shambles, and farmers were joined by manufacturing interests and other interests to push for a depreciating currency. Prime Minister R.B. Bennett instituted a Royal Commission on Banking and Currency, and this body came back with the strong recommendation that the country consider establishing a central bank, an idea that had already been pushed by many prominent Canadians, such as John Edward Brownlee, the then premier of Alberta, where, of course, agriculture was king. And he, like so many others, was demanding government, cost-regulated credit.

He had a lot of supporters for this idea across the entire country as a plummeting economy led economists to advocate government intervention into the monetary system and the nationalization of the credit system. And so it was that on March 11th, 1935, the Bank of Canada opened its doors with the granting of royal assent to the Bank of Canada Act. Initially, operating as a private sector organization under the premise that it would be thereby free from partisan political influence, it was later transformed under Prime Minister William Lyon Mackenzie King into what was known as a "special" Crown corporation.

The Bank became a part of Canada's war effort during World War II and, of course, later became well known to every Canadian as it battled to keep inflation low. During its first 20 years, it was run by Graham Ford Towers, who had been lured away from the Royal Bank to be the first governor of this new institution. And this iconic figure of Canadian financial history came to this Club 65 years ago—almost exactly 65 years ago—to deliver an important speech entitled "Expectations and Events." He talked about the challenges of living beside the largest economy in the world, the incredible rebuilding efforts around the world after the Second World War, and all in all, gave a pretty optimistic view of Canada's financial health which ended with this declaration, and I quote: "The North American partners, one large, one relatively small, possess between them great resources and productive capacities. Their performance in the last war and the record of growth and abounding vitality in the post-war years support that statement. If to all these advantages, there can be added an understanding of the price to be paid and the determination to pay it now for the sake of the future, these two countries will certainly be able to handle the job of defense, production and finance in a workman-like manner and to do so contributing greatly to world stability and world peace."

Graham Ford Towers's tenure at the Bank of Canada came to an end in 1954, and he has been followed by eight extraordinary men. Some of them, in fact, have become household names in our culture, like Gordon Thiessen, David Dodge, Mark Carney.

On June 3rd, 2013, the incumbent stepped into the role and has, in the past two years, already left his mark on the Bank. Born in Oshawa, Ontario, Mr. Poloz has over 30 years of public and private sector experience. An economist by training, he first joined the Bank of Canada in 1981 and occupied a range of increasingly senior positions over a 14-year span. Mr. Poloz then spent four years at BCA Research as Managing Editor of its flagship publication, known as *The Bank Credit Analyst*. In 2015, he was elected Chair of both the BIS Audit Committee and the Consultative Counsel for the Americas. Mr. Poloz joined Export Development Canada in 1999 as Vice President and Chief Economist. From 2008 to 2010, he was responsible for all of EDC's lending programs as well as the Economics and Corporate and International Trade Intelligence groups. He became EDC's President and CEO in January of 2011, a position he held until his appointment at the Bank of Canada.

Mr. Poloz resides in Ottawa with his wife, Valerie. He has two children, Jessica and Nicholas, and he is—I must be getting old but—already a very young grandfather. Ladies and gentlemen, please, join me in welcoming for the second time to the podium of the Empire Club of Canada the Governor of the Bank of Canada, Mr. Stephen Poloz.

Stephen Poloz

Well, thank you very much, Gordon. That is a wonderful welcome. I am absolutely delighted to be back in front of the Empire Club for the second time and, yes, I am a grandfather. Some things happen. But I am wearing 1955 penny cuff links, not by accident. Anyway, enough of that.

It has been over twelve years since I was last here in 2003, and at that time I was speaking about how Canada could succeed in an uncertain world. It actually sounds like a speech I could give again today. The year 2003 was a vintage year here at the Empire Club. It was your centennial, and several speeches that year still sound topical today. In fact, Ann Curran was the president at that time. It is nice to have you here today, too, Ann.

But the speeches from 2003—Gary Bettman was here to talk about the NHL and the future of hockey in Canada. Former Prime Minister Viktor Yushchenko spoke about what was going on in Ukraine, and, here is my best one: Ralph Klein, the Premier of Alberta gave a speech entitled, "A Made-in-Canada Approach to Global Warming." The more things change, right?

So, anyway, this is a good reminder that past experience can help us understand today's issues. Currently, economists are debating why there has been such a persistently weak expansion in the world's developed economies. Is this long period of slow growth a cyclical phenomenon or is it something permanent? Well, a prominent Harvard University economics professor has suggested that the U.S. economy was headed for what he called, "secular stagnation." Extended periods of strong economic growth were no longer likely, he said, because of a chronic shortfall in demand. Now, I know what you are thinking, but I am not referring to Harvard's Professor, Lawrence Summers, who holds this secular stagnation view today. I am talking about Professor Alvin Hansen, who coined the phrase, "secular stagnation," in 1938, during the Great Depression. Of course, soon after Hansen published this view, U.S. economic growth took off amid a burst of spending. Of course, as we know, it was tied to war. Stagnation though did not return after the war ended. Instead, the U.S. experienced one of the strongest and longest-lasting expansions on record. So what happened? Hansen's population assumptions changed, for one thing. The post-war period saw increased immigration and, of course, the well-known baby boom. Technological advances, which he had been concerned about, actually helped to boost productivity growth much more than expected.

But an important ingredient was the revival of what John Maynard Keynes famously described as "animal spirits." So during the Depression, consumer and business pessimism was pervasive. Once confidence revived, pent up demand was unleashed, and self-sustaining growth returned.

This bit of history should help us understand the global situation today. Many countries, including Canada, are again facing these sort of demographic challenges that Hansen saw in the 1930s. And many would argue that technological advances are much less likely to fuel steady growth as they did in the 1950s and the 1960s. Larry Summers and other secular stagnation supporters argue that the level of interest rates needed to bring the economy back to full capacity is below the effective lower bound for monetary policy. In other words, they said that central banks are powerless to stimulate enough demand to use up excess supply.

Now, others, including me, would disagree. It is true the demographic forces are leading to slower growth in the labour force. The baby boom is over. But this reduces the natural rate of interest in the economy, and it increases the chances that monetary policy will at some point be constrained by the lower bound on interest rates. But, recovering from a shock, like the global financial crisis, can be a long, drawn out process, just as it was in the 1930s, as consumers and businesses repaired their balance sheets and rebuilt their confidence in the future.

Now, ultimately, I see this as a cyclical issue, not a secular one; although, of course, the cycle is proving to be longer than usual. But more to the point, I take issue with the word "stagnation." The world's policy makers put in place measures to mitigate the damage of the crisis and to prevent the worst. We have strengthened our financial architecture to protect against future crisis, and that system is still adjusting to those.

Growth has been slow, but it has not been nonexistent. Many of those policies remain in place sustaining growth and avoiding stagnation and will do so until such time as Keynes's "animal spirits," which were crushed over the past seven years, revive. So no matter where you stand on this issue, though, it is clear that the expansion in the developed world is slower now than it was in previous decades. And it probably will remain that way, and this is because population growth is slowing as the positive impact of the post-war baby boom is mostly behind us. But economic progress can still come through productivity and enhancing technologies, which, historically, have defied prediction. And there is a plethora of structural policies, structural policies that can raise trend economic growth, such as trade liberalization or labour market reforms, which are being actively discussed at the international level by the G-20.

Now, in the Bank's last monetary policy report, just in October, we forecast that the Canadian economy would return to positive growth in the second half of this year and that annual growth would continue to increase in 2016 and 2017. That would see our economy use up its excess capacity and return inflation sustainably to the 2% target around mid-2017, and, so far, that forecast seems to be playing out, as we said in our interest announcement just last week.

Beneath the surface, however, our economy faces a complex and lengthy adjustment to lower resource prices, an adjustment that will unfold over the next several years. And while the resource economy works through this adjustment, the non-resource economy should continue to gather momentum driven by improved export performance; and this, in turn, would be followed by rising investments, growth in the population of companies and a steadier trend in new job creation. This adjustment process is being facilitated by the strengthening U.S. economy and, of course, a lower Canadian dollar and low interest rates.

Now, when we put out a forecast, the risks around that forecast are evident, and we believe they are roughly balanced, which is to say that there are things that could still disappoint us. There are other things that could surprise us on the upside.

Now, on the downside, weakness in emerging markets, such as Brazil and China, could turn out to be more pronounced that we expect, or commodity prices could fall further as new supply weighs on prices. On the upside, though, it is possible that, as momentum builds, consumer and business confidence will see a synchronized upturn, not just in Canada but in the U.S. adding more momentum to growth. This is the factor that is very important to economic cycles—as it was in the recovery from the Great Depression—yet inherently cannot be forecasted.

Now, there are many such elements of uncertainly in a process of making monetary policy, and that is why the Bank has characterized its decision-making process as one of risk management, not engineering. We go beyond determining the most likely outcome for the economy. We also identify the major risks that we face in either direction, and we think about how we would react if some of those risks were to materialize. In short, we are paid to worry and to be prepared, and I think that is just prudent policy making.

So I think it is fair to ask what we would do in the unlikely event that the economy was hit with another major negative shock, one that significantly threw off our projection. And, with the economy already exhibiting slow growth and interest rates already very low, there would appear to be very little room to maneuver.

Indeed, the Bank's policy rate today is .5%, just a quarter point above the record low set back in 2009. And that was a dark time for the global economy. Now, back then at the height of the financial crisis, we believed that our key rate was at its effective lower bound of .25%, that we would need other tools in order to provide any additional monetary stimulus. As a result, the Bank spelled out how it would conduct unconventional policies in an annex to our April 2009 Monetary Policy Report.

Well, since then we reflected on this through our experience, and we have seen how other central banks have conducted their own unconventional policies, and we have updated that document, and we are publishing it on our website today. So I am going to elaborate on some of these policies, but, before I do, I need to be absolutely clear about two things. First, today's remarks should in no way be taken as a sign that we are planning to embark on these policies. To reiterate, our base case sees the Canadian economy returning to full capacity around mid-2017, and the risks to the outlook are roughly balanced. We do not need unconventional policies now, and we do not expect to use them but, as I said, it is prudent to be prepared for every eventuality. This is a key point so, please, let me repeat in French.

The second thing I want to stress is that the framework that we are publishing today certainly will not be the last word on unconventional policies. The post-crisis adjustment process is still unfolding, and central banks continue to learn lessons from that experience. Best practices will continue to evolve.

So what is in a central bank's toolkit when interest rates are already low? Well, let me just remind you of a couple of key principles around the use of unconventional policies—these have not changed since 2009. The first is this: Regardless of the situation, the Bank will keep its primary focus. Its primary mission will be to achieve its inflation target. Also, because we want our policies to be as effective as possible, we concentrate the use of these tools in specific sectors or markets while aiming to minimize any unnecessary market distortions. And, finally, we conduct operations carefully in order to minimize the risk to our own balance sheet.

Well, the first tool in the toolkit is one that many have used to good effect, and that is what we call "forward guidance." By "forward guidance," I mean more than simple, boilerplate language that the central bank might use to indicate the expected direction of the next interest rate move. I am referring to statements, such as the conditional commitment that we made in 2009. That is when we pledged to keep the key policy rate unchanged for a year as long as the outlook for inflation did not change. Forward guidance can lower longer-term interest rates by signaling to investors that the policy rate will stay at a given level longer than they previously expected. It also provides more certainty about the path for short-term interest rates, reducing the risk premium that is built into the longer-term rates.

So by lowering the entire yield curve, the policy action affects a wider range of borrowers, boosting the demand in the economy and leading to a higher output and inflation.

Now, for forward guidance to be most effective, it has to be credible. When we made our conditional commitment, both words were important—"conditional" and "commitment." We backed our commitment by offering term financing to the market at the overnight rate for the entire period, and we repeatedly stressed that the pledge was conditional on the inflation outlook. And as it turned out, we raised interest rates weeks before the commitment expired because we saw signs that inflation was returning to its target more rapidly than we had expected. So that conditionality demonstrates that the inflation target remains the Bank's primary mission.

Now, as I have said before, forward guidance also comes with cost. It distorts the market's processing of new information. It takes specific types of uncertainty off the table. This concentrates the market's position on one side of the distribution of possible outcomes. Exiting from forward guidance restores two-way trading, and it restores the market's ability absorb economic and financial volatility, which is natural.

Now, the second tool that the Bank outlined in 2009, which has never been used, is large-scale asset purchases. I emphasize the term "large-scale" because the central bank engages in asset purchases in the normal course of its business. That is how the central bank balance sheet grows, along with the economy and allows us to distribute a growing stock of banknotes into circulation.

But "large-scale asset purchases," more often referred to as "quantitative easing," entails the central bank creating large amounts of new reserves and using them to purchase large quantities of securities, such as government bonds or private assets, including mortgage-backed securities, corporate bonds, from the private sector. Those kinds of purchases can have three effects: First, they create new liquidity in the banking system which can increase the availability of credit if the system is tightened, allowing firms and households to continue to make buying decisions and support economic growth.

Secondly, large-scale asset purchases tend to lower the interest rates on the purchased assets and on other types of debt that are of similar duration. In effect, as before, that flattens the yield curve, brings longer-term interest rates down closer to short-term rates, and so, as with forward guidance, this can enhance the impact of policy by spreading it out to a wider range of borrowers and, thereby, boosting economic growth. At the same time, higher asset prices from these purchases can create a wealth effect which can also boost spending and confidence.

The third effect is that these purchases of assets tend to put downward pressure on the exchange rates, and this is because they reinforce market expectations of a lower profile for interest rates for a longer period. Now, this can boost aggregate demand further through increased export sales or, more simply, because existing exports sales produce more revenue measured in domestic currency. Now, all of this can happen while the central bank's policy rate is unchanged.

Several major central banks have deployed this tool since the crisis. This includes the U.S. Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan. Now, their experience shows that this tool can be effective in extending the central bank's impact well out on a yield curve.

So a third unconventional monetary policy tool that has been developed since 2009 is called "funding for credit," and the idea here is to make sure that economically important sectors continue to have access to funding even when the supply of credit might be impaired. In this case, the central bank would provide collateralized funding at a subsidized rate as long as banks met the specified lending objectives. The Bank of England and the U.K. Treasury set up a program like this in 2012, and it was designed to encourage lending to households and businesses at time when banks were facing increasing funding costs and that, of course, meant that borrowers were not getting the full benefit of low policy rates.

The Bank of Canada has never engaged in funding for credit. At the height of the crisis, the government did put in place the Insured Mortgage Purchase Program, and, under this program, CMHC bought insured mortgages from lenders which made room on their balance sheets for new mortgage lending. So this program was clearly aimed at one market segment that was at risk of impairment in the crisis and so had a similar purpose to funding for credit.

The fourth unconventional monetary policy tool—and the last one I want to cover—is negative interest rates, which is something you have heard a lot more about recently. Now, back in 2009, the Bank said it could not cut its policy rate below .25% because we believed that zero or negative rates might be incompatible with some markets, such as Money Market Funds, for example. This was a common view at the time. But, since then, we have seen the experience of several central banks, such as the ECB and the Swiss National Bank, which have adopted negative policy rates. There we have seen the financial markets have been able to adapt and continue to function. Given these and other developments, the Bank is now confident that the Canadian financial markets could also function in a negative interest rate environment.

Let me pause at this point to answer an obvious question: Why would anybody ever accept a negative nominal rate of return when they could always just hold cash and earn a zero return? Now, a big part of the answer is that there are costs to holding currency, especially, if you have a lot. And these costs affect that lower bound. Because of the costs, they would include things like storage costs, insurance costs, security costs. Central banks can charge negative rates on commercial bank deposits without seeing a surge in the demand for banknotes. Last month, the Bank published a staff paper that analyzed those costs here in Canada and the convenience benefits of electronic payments in a number of other countries. It reflects on that experience other countries have seen.

Another staff note on the determinance of the effective lower bound in Canada is being released today. We now believe that the effective lower bound for Canada's policy rate is around -.5%, but it could be a little higher or a little lower. This suggests that we have more room to maneuver in response to adverse shocks than we believed back in 2009. We will continue to watch the experience of these other countries. The Swiss policy rate, for example, today is -.75%, and we will also consider what adjustments might need to be made to the Bank's operational framework should they ever be required.

To sum up, once interest rates reach very low levels, the central bank still has meaningful tools that it can deploy in its pursuit of its inflation target offering forward guidance to financial markets, large scale asset purchases, funding for credit and pushing short-term interest rates below zero.

Now, there are a few other lessons that we have learned about unconventional monetary policies in the past few years, and I just want to touch on a couple. One lesson concerns when to use which tool. When we published our unconventional policy framework in 2009, there was an implied sequence to the various measures. Forward guidance was tried first with quantitative easing and other measures held back in reserve in case forward guidance proved to be insufficient. But what we have learned since is that there should not be a predetermined order. The effectiveness of each tool will depend on a situation making it more a matter of choosing the right one at the right time; furthermore, the various measures can be mutually reinforcing when used in combination, so it makes little sense to commit to a particular sequence for using them.

Another lesson we have learned from the global experience is that while unconventional monetary policies can help stimulate the economy, there may be limits to their impact. Take negative interest rates, for instance. While we now believe that interest rates can be pushed below zero, there still is a lower bound. So we cannot be caviler about how much room we have to maneuver. Further, there is evidence that consumers and businesses respond less to interest rate declines when interest rates are already very low. And there is evidence that the responsiveness is also lower when confidence is low and when they are trying to reduce debt. I expect a few of us find these things surprising. But, at the same time, it is fair to say that the limits of large-scale asset purchases are still being tested.

So our understanding of this tool will continue to grow as we watch it being used in other economies, and that, of course, includes the eventual conclusion of those and the exit from their programs.

But, fundamentally, economists have long been aware that the effectiveness of monetary policy has its limits once interest rates reach very low levels. Keynes himself noted, as he watched the Great Depression unfold, that fiscal policy tends to be a more powerful tool than monetary policy in such extreme circumstances. Now, it may sound ironic, but the circumstances under which it may be appropriate to consider unconventional monetary policies are also those under which fiscal policy tends to be the most effective. But, even so, it is worth knowing that monetary policy can still make a meaningful contribution in such extreme conditions alongside fiscal and structural policies in restoring growth and achieving our inflation targets.

Now, a final lesson that I must touch on is that very low interest rates and the unconventional monetary tools that can be deployed to enhance their effects tend to create financial unbalances that can grow through time. These risks must be accepted should the downside risk to the economy lead to even worse outcomes if it was realized. But the dynamic effects of these growing financial unbalances on the future of the economy must be taken into account by policy makers, and that is a complex task, indeed.

It is time for me to bring us back to the present and conclude, and, in a world where many economies continue to resort to unconventional monetary policies, Canada's outlook is encouraging. The lower Canadian dollar and the interest rate actions taken earlier this year are working, and it will be some time before we see their full effect. The overall economy is growing again, even as the resource sector contends with lower prices, and that is because the non-resource sectors of the economy are gathering momentum. This is all taking longer than we imagined back in 2008, but our judgment is that our economy can get back to full capacity with inflation sustainably on target around mid-2017.

Given this outlook, it may seem like an odd time for me to be updating our unconventional monetary policy toolkit. I certainly hope that we will ever have to use these tools. But in an uncertain world, the central bank must be prepared for all eventualities, and we will continue to watch how these policies in other economies and adjust our own thinking at the Bank of Canada as appropriate. In short, should the need arise, we will be ready.

Thank you.

Questions & Answers

Q: I would like you to comment on the impact on savers of lower interest rates.

SP: Well, it is a regrettable side effect that savers are also hit by these policies. I mean the purpose of these policies, of course, is to offset a very negative shock to the economy so that if we were not playing defense against it, the outcome could be far worse for everybody, including savers. So that is an important thing to bear in mind.

I have no qualms about saying that the actions that central banks and fiscal authorities took after this crisis of 2008–2010, in that period, prevented the second Great Depression. So savers would not be better off if we endured this, even if interest rates were a little higher. But the fact is that interest rates are low and that people who are the savers—the retirees and those who are saving for retirement—bear part of this cost of us doing these policies.

When it comes to countries that have used negative interest rates, do not forget that we are talking about the policy rates for the central bank, and behind that there is a full financial system for both lending and for savings which generally finds that interest rates do not go below zero for savers. And I would expect the same sort of behaviour to happen here if that eventuality ever came. But that is all to say that is not to minimize the issue. The issue is that interest income is low under these conditions. But, again, I have to remind you that the situation could be much worse if interest rates were not as low as they are.

Q: Yes, thank you. We have often heard that the unemployment rate for full employment is considered 4%, 5% or whatever. Where does the 2% acceptable number for inflation come from? What is the basis of that number?

SP: Well, the 2% inflation target was developed back in my first period at the Bank back in the 1980s, early 1990s. And, at the time, we were concerned that there was always a degree of measurement bias in inflation. Everybody changes what they buy almost every week, and so the weights on the various bits of inflation change through time, and they get updated every once in a while. And when they get updated, inflation then is closer to the truth. But a more important issue to me is if you have 2% inflation, and if, let us say, the equilibrium real rate of interest is around 2% or 3%—something like that—what that means is that when everything is steady, interest rates would be something like 4% at the short end, maybe even a little higher. And what that means is that when there is a shock to the economy, you have a lot of room to cut rates in order to cushion the blow to the economy. So the issue that this raises now is that we expect as we go forward, because population is declining, the equilibrium growth rate will decline. And as that happens, the neutral rate of interest for the economy will also be declining. So that means that we could end up in a situation where, with a 2% inflation target, say, the equilibrium interest rate will be lower, say, 3% as opposed to 4% or above. And that means we will have less room to maneuver ten years from now, let us say, if there were a big shock like we endured recently.

And so that is one of the issues that is up for discussion, as this year we are aiming to renew our inflation agreement with the government—which will be about a year from now when we make that announcement. That is why we are considering whether there are merits to raising the inflation target to a higher number to have more room to maneuver. But, obviously, this discussion today informs that discussion, too, which means that if interest rates can go below zero, you get a bit of room to maneuver on the other side. And so those things kind of all go together as an important question that you raised. The 2% is not arbitrary. It is just that no one thought that zero made sense. So you pick two because it is low enough that it does not really matter. It is easy to remember. You ask people, "What do you think inflation rate is?" If they have not looked it up, they will just still say, "2%," because they are used to it—it has been twenty years now. And so it has anchored expectations remarkably well for the past twenty years, so for us it is a very high bar to change that in any way. We think it has served us very well for the last 20 years. But that is a complicated question, actually. There is some good stuff on our web site if you are keen on that question.

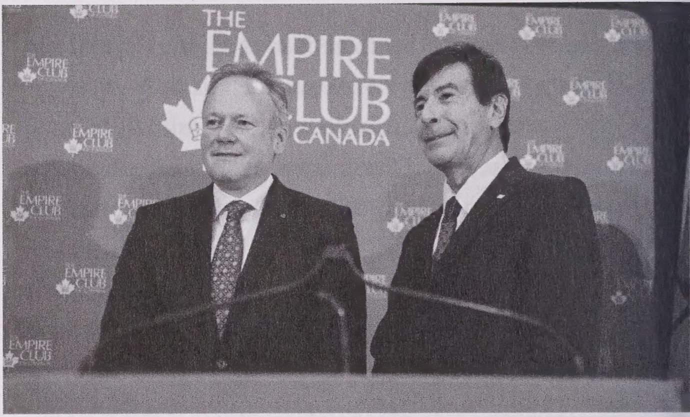
Q: Mr. Poloz, I read in the papers some years ago that Canadian corporations are banking a lot of money. They are not deploying their capital. Is there, in fact, an excess of capital in the world today? One time capital was rationed, and it justified higher rates, but now they are so low. Is that function of rationing capital gone?

SP: It is a great question, and it is a complicated one, but I think the consensus is that there is more savings in the world than there is investment going on. So that is part of the savings glut story. And, of course, that is one of the reasons why equilibrium interest rates are lower today than they were, say, ten years ago. But I think it goes a little deeper which is the reason companies have accumulated some cash is because of what they have been through. If you are a company that was here ten years ago, you know it has been a tough ten years, and so what you have done is you have accumulated cash, and you may be ready to invest and grow your business, but you are not 100% certain yet because there is always—every day there is something new that happens that makes the situation uncertain.

So this goes to the animal spirits that I mentioned before. So if those animal spirits are cautious or reluctant to reengage, the good news is that companies have the ability to begin expanding their businesses, and some already are, so that it will not be slow to start when it gets going. So we believe it is actually underway in many of the non-resource parts of the economy led by stronger export demand. And it is going to take a little longer for it to become unanimous, if you like. But, throughout that period, we are going to see the resource sector still working hard to cope with those lower rates. So they will not be doing the investing. It will be the rest of the companies, so I hope that goes part way to answering your question. As a whole, they do have the capacity to invest, which is very good news. We just have to make sure the conditions are all right to foster that growth.

Q: Just wondering what effect you think the policies will have on the housing market in Canada.

SP: Well, if we go back to the crisis and my contention that if we had not done what we did, we would have had a very bad recession, if not a second global depression, housing is the main thing that got boosted to offset that shock for us. So with low interest rates, people responded predictably. They were able to enter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Stephen Poloz, Governor of the Bank of Canada, with Empire Club President Gordon McIvor, on stage following his address.

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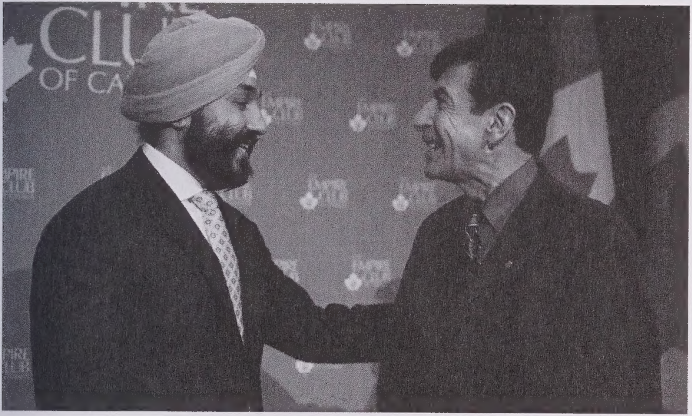
President Gordon McIvor celebrating the first event in the Sesquicentennial Series with Right Honourable Beverley McLachlin, Chief Justice of Canada, and Series Sponsor, William White.



Honourable Navdeep Bains, Minister of the Innovation, Science and Economic Development, with President Gordon McIvor.

President Gordon McIvor shaking hands with Honourable Charles Sousa, Ontario's Minister of Finance

EMPIRE CLUB OF CANADA

President Gordon McIvor with the Women Who Lead Panel featuring Amber Kanwar, Andrea Stairs, Shelley Martin and Ilse Treurnicht

Defence Lawyer Dennis Edney signing the Empire Club's guest book along side President Gordon McIvor.

President Gordon McIvor delivering welcoming remarks at the Annual Investment Outlook Luncheon.

President Gordon McIvor with the Dying With Dignity Panel, featuring Piya Chattopadhyay, Shanaaz Gokool and Dr. James Downar the housing market earlier than they ordinarily would have in their life cycle, and so the share of housing demand in the economy has risen quite a bit compared to its historical norm. And so the conditions that we face now continue to favour continued growth in the housing market, and that, of course, has been the most important source of growth as we have gone through the last couple of years.

As we go forward, what we are expecting and what we are actually seeing is export growth in the non-resource sector. Key sectors connected to the U.S. recovery are picking up speed quite dramatically. There are some great charts. The Monetary Policy Report from October demonstrates this. So as they pick up, what will happen is the centre of gravity for Canadian growth will shift away from housing—which probably has run most of its course—and as it kind of reaches a sustainable level, its exports in the non-energy, non-resource sectors will come up and take its place. We call that "a rotation of demand," which is to say it is kind of a change in places of what is actually leading economic growth in Canada, and it will be our traditional growth track, which is exports.

Thank you very much, everybody.

Note of Appreciation by George Cook, OMERS Chair and Past President of the Empire Club of Canada

Governor, first let me say how pleased we are that you chose the Empire Club of Canada for the podium for your remarks today. You have given that every word that the Governor says is heavily scrutinized, and I am sure, will be repeated by many as they try to sort of sift through what he may have meant or what he maybe did not mean. Coming for an occasion like this has got to add a level of difficulty. I thought your remarks today were a very clear, careful, thorough discussion of the issues our economy faces, including a thoughtful overview of some of the unconventional tools that we all hope we will never have to see you use. Having said that, these things are important to discuss. The candor that came forth in the questions and answers is appreciated. And one of the themes that I certainly took throughout your remarks related to confidence and the extent to which confidence is important. I think we could all agree today that we are very confident that the Bank of Canada is in very good hands. We thank you so much for sharing your thoughts with us.

Concluding Remarks by Dr. Gordon McIvor

Thank you so much, George, and, thank you, as well to our generous sponsors today, KMH Cardiology & Diagnostic Centres, TD Bank, Bank of Montreal, and I would also like to thank the *National Post* which is our national print media sponsor and Rogers Television, our national broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event at a global level, and I understand the Bank will be webcasting this event as well.

Follow us on Twitter at @Empire_Club, and visit us on line at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram, and, please, join us again soon. We have some great events coming up early in the New Year. Starting off by building on the governor's speech today, please, join us for our Annual Investment Outlook Luncheon: Making Money in 2016 from Domestic and International Financial Markets. That will be held on January 5th at the Royal York Hotel under the auspices of our own Bill White. We also recently booked another icon of our Canadian federal system, Chief Justice Beverley McLachlin, who will be appearing at the Club on June 3rd at the Arcadian Court.

Ladies and gentlemen, this is the last meeting of the year. This meeting is now adjourned, but I would like to wish you all very happy and safe holidays. Thank you very much for coming.

The Empire Club Presents

ANNUAL INVESTMENT OUTLOOK LUNCHEON: MAKING MONEY IN 2016 FROM DOMESTIC AND INTERNATIONAL FINANCIAL MARKETS

January 5, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Royal York Hotel in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us either through our webcast, our podcast or on Rogers Television, welcome, to our meeting today.

Now, before our distinguished speakers are introduced, it gives me great pleasure to introduce our head table guests to you.

HEAD TABLE:

Distinguished Guest Speakers:

Mr. Ian Russell, President and CEO, Investment Industry Association of Canada
Mr. Nick Barisheff, Founder, President and CEO, Bullion Management Group, Inc.
Greg Greer, Managing Director and Head, Global Debt Capital Markets, Scotiabank

Guests:

Mr. David Brown, Partner, WeirFoulds LLP

Mr. Richard Carleton, Chief Executive Officer, Canadian Securities Exchange

Ms. Vivien Clubb, President, Providential Pictures Inc.

Ms. Charyl Gaplin, Head, Executive Vice-President and Managing Director, BMO Nesbitt Burns

Mr. Joe Hinzer, President, Watts, Griffis & McOuat Limited

Ms. Amber Kanwar, Anchor and Reporter, Business News Network

Ms. Sue Lemon, Chief Executive Officer, CFA Society, Toronto

Mr. Don Ludlow, President, Treble Victor Group

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. D'Arcy Nordick, Partner, Stikeman Elliot LLP

Mr. Bill Packham, Co-Chair and CEO, Qtrade Financial Group

Mr. Geoff Ritchie, Executive Director, Private Capital Markets Association of Canada (PCMA)

Ms. Verity Sylvester, Vice President, Corporate Accounts, CMC; Past President, Empire Club of Canada

Mr. Nick Thadaney, Vice President, Corporate Accounts, CMC; Past President, Empire Club of Canada

Mr. Rod Thomas, Vice President, Corporate Accounts, CMC; Past President, Empire Club of Canada

Mr. Howard Wetston, Past Chairman, Ontario Securities Commission (OSC)

Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada

My name is Gordon McIvor, and I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

We are also delighted to have a group of students joining us today from Ryerson University. Students, would you, please, rise and be recognized. Welcome.

Introduction

Now, our format today, ladies and gentlemen, is a bit different than the usual format for the Empire Club series of lunches. Instead of appearing as a panel, our speakers are going to come up and speak to you one by one, so I am going to introduce all three of them now, and then invite them to come up and join us at the podium.

I will start with Ian Russell to my right. Ian is the President and Chief Executive Officer, as I mentioned, of the Investment Industry Association of Canada or the IIAC, a position he has held since its inauguration in April of 2006. Prior to his appointment to the IIAC, Mr. Russell was the Senior Vice President of Industry Relations and Representation, at the Investment Dealers Association of Canada. And in his twenty-year tenure with the IDA and the IIAC, he has participated actively in many committees and working groups involved in regulatory and tax issues related to the securities industry and capital markets. He is a frequent commentator in the media. We are delighted to have him with us today.

Nick Barisheff is the Founder, President and CEO of Bullion Management Group Inc., a company dedicated to providing investors with a secure, cost-effective, transparent way to purchase and hold physical bullion. BMG is an associate member of the London Bullion Market Association as well as the Responsible Investment Association. Widely recognized as an international bullion expert, Nick has written numerous articles on bullion and current market trends which have been published around the world. We are also delighted to welcome him back this year.

Greg Greer, our third speaker today, is the Managing Director and the Head of Global Debt Capital Markets at the Bank of Nova Scotia. He is currently responsible for Scotia Bank's Global Debt Capital Markets business, as well as the bank's EMEA and Asia Pacific Risk Solutions businesses. Greg has twenty years of capital markets experience, primarily focused on debt and derivatives, and we are also delighted to welcome him back to this group today.

So let us start with our first speaker today, Ian Russell, and, Ian, I invite you up as our first speaker.

Ian Russell

Thank you, Gordon. I am delighted to join you at this Empire Club Annual Investment Outlook Luncheon.

For the past four years, the IIAC has polled the CEOs of its 144 member firms. Our aim was to gain an up-to-date snapshot of executive thinking on the economic and financial trends and the issues impacting their businesses. We also surveyed the firms on the challenges and opportunities that they foresee in the year ahead. Their collective insights are important. The health of the investment industry is an essential component of vibrant and competitive capital markets. The investment industry plays a vital role in the savings investment process in intermediating capital flows in the marketplace from investors to corporations and to Canadian government.

So let us get to the results of our survey. The 2015 survey was conducted from November the 3rd to November the 25th. The steady stream of negative headlines throughout November clouded the sunny optimism surrounding the swearing in of the new government in Ottawa, and it probably influenced the thinking reflected in the survey results. Crude oil prices careened lower threatening the $40 per barrel level. The Canadian dollar flirted with fresh 11-year lows, and President Obama officially rejected the Keystone XL Pipeline.

The geopolitical concerns weighed heavily on business and investor sentiment—and on the capital markets. Public finances deteriorated. By all accounts, 2015 was another mediocre year in the Canadian economy. Growth looks like it will average 2.1% for 2015 as a whole. This is the worst annual performance since 2009.

Roughly, one half of the investment dealer CEOs who responded to our survey said that they expected a similar weak economic condition in 2016. Only one in five expect economic conditions to improve and 28% anticipate economic conditions to actually worsen. If the survey were undertaken today, the respondents would likely be even more pessimistic given the continued collapse in global oil and base metal prices.

In the survey, CEOs indicated concerns about slower growth in China, the world's second largest economy. CEOs in western Canada are particularly concerned about the slowdown in China. It is not surprising given that B.C. and Alberta have felt the most pain from the drop in resource prices. The weak China economy is mostly responsible for the collapse in commodity demand. Many domestic, institutional boutique firms are in turn heavily dependent on resource markets for securities trading and for investment banking.

When surveyed regarding commodity markets in 2016, roughly 75% of CEOs said they did not see an improvement. Despite poor conditions in capital markets, a minority of surveyed CEOs felt vulnerable to a major economic, financial and/or geopolitical shock that could affect their business. Among these respondents, 62% of those surveyed highlighted a potential geopolitical shock. Twelve percent pointed to a housing correction, and another 12% sited a major cyber security incident as the most likely shocks impacting the financial markets. At the time of the survey, CEOs were roughly split on whether the Bank of Canada would raise interest rates in 2016.

Let me now comment on the state of the investment industry. We asked CEOs, *What are the top three trends transforming the investment industry?* And they answered industry restructuring, regulatory change and demographics. These three themes emerge time and time again as CEOs address questions related to the forecast of operating costs and revenue.

So what were the CEOs' views about their firms' prospects regarding operating costs and revenue? Let us look at operating revenue. The results indicated that many industry CEOs have taken a positive view for the next year on the outlook for operating revenue. Roughly 40% of investment dealer CEOs surveyed expect their firms' 2016 operating revenue to increase at a faster rate than 2015. One-third of the CEOs project operating revenue growth roughly in line with 2015, and 25% anticipate operating revenue will increase but at a lesser pace compared to 2015.

We also asked CEOs what they see as the largest contributor of revenue to their firm in 2016. The largest number of CEOs said the retail business. For the CEOs of institutional firms, 50% see equity trading as the largest contributor to revenue; 25% identified corporate advisory fees, and another 25% indicated fixed income trading.

Moving on to operating costs, the biggest negative factor affecting performance in the industry has been the relentless rise in operating costs in recent years. Higher compliance and technology costs account for much of this escalation. These costs are estimated to rise roughly 7% in 2015 compared to a 6% increase for the industry in the previous year. Fifty-five percent of CEOs reported that their operating costs have increased significantly over the past four years, and another 22% indicated that they have increased somewhat. What is the top cross pressure affecting their businesses? Over 70% said that regulation was the issue. The explanation can be traced to the significant ramping up in compliance costs in the industry. Consulting needs, technology requirements and added professional compliance staff to meet the CRM rules and FATCA reporting. A smaller number of CEOs indicated that other factors had contributed to the expenditure rise. CEOs expect operating costs to continue to escalate. Indeed, nearly half the CEOs anticipated their operating costs will increase at a faster rate in 2016 than in 2015. Another 20% expect operating costs to increase at about the same rate while about one-third see costs rising at a lower rate. This more optimistic view on operating cost increases probably reflects the ongoing solid efforts of member firms to squeeze greater efficiencies and reduce unnecessary costs.

So what does this relentless cost escalation mean? It means that most executives expect an even greater ramp-up in the regulatory burden next year. The self-clearing retail firms and the introducing firms foresee the largest increase in costs. This is most likely due to an escalation in direct compliance costs, technology expenditure and carrier brokerage fees for the introducing firms as the CRM too and FACTA reporting rules become fully effective.

Fifty-three percent of the firms expect to spend more on technology in 2016 than they did in 2015. Thirty-seven percent expect to spend about the same, and 10% expect to spend less. We asked, *What is the main driver of the technology spend?* Sixty percent of firms answered that it was regulatory and compliance changes. What is more surprising is the other forty percent of firms identified other factors as the main drivers of technology spend. Twenty-three percent of the firms indicated that spending on technology was to simplify and streamline processes in the front and back offices of their firms. This focus on operating efficiency is not surprising given the business pressures that are facing all the firms.

Fifteen percent indicated their technology spend was to address security concerns, and only a very small percentage said that they will allocate their technology spend to big data analytics to tailor products and risk profiling.

The unprecedented period of weak economic conditions, rising costs and deteriorating profitability has unleashed massive restructuring in the investment industry. Here is some interesting news. Over the past three years, roughly 50 boutique firms or about 25% of the entire investment industry have exited through merger and amalgamation, shuttering operations or transferring the business to the exempt marketplace. The survey probes CEOs on how this restructuring is likely to unfold over the next several years, and this is what we learned.

One third of CEOs expect industry consolidation to intensify in the next two years. Twenty-three percent said it will remain about the same, and the balance of CEOs expected the rate of consolidation to slow. The majority of CEOs, therefore, expect significant contraction in the industry over the next couple of years. This pessimistic view comes as no surprise given that there are more than 50 investment dealers still operating with growth annual revenue of $5 million or less, a magnitude suggesting insufficient scale to operate businesses under existing conditions.

The survey confirmed the importance of demographics as a major trend impacting the investment business in two respects: The aging of the population is reflected in the wealth management services mostly in demand by clients, namely, discretionary managed accounts, financial planning and trust and estate planning. Robo-advisors are also highlighted as a growing trend impacting the industry. This focus on robo-advisors reflects the underlying influence of the expanding millennial investor.

This survey also put the spotlight on Canada's small business marketplace. The year 2016 is expected to be another bleak year. We asked CEOs for their views on Canada's small cap private equity market. Close to 60% indicated that 2016 will be another weak year. They also expect foreign, private equity players to be the dominant participants in Canada's private equity market. The vast majority of CEOs indicated that Canada's small cap public venture markets would see no improvement in 2016.

Let me summarize. In going through our CEO results with you today, it is clear the investment industry will continue to cope with weak economic conditions. The CEOs expect a relentless rise in operating costs related primarily to compliance and technology to continue. This will further squeeze profitability, and it will also mean the industry will continue to consolidate with firms merging or shutting down operations. Consolidation has severely damaged the viability and the vibrancy of the public venture marketplace. This market is in the throes of massive structural change from a period of extended weakness in commodities markets and the withdrawal of retail and institutional investors from the speculative securities marketplace.

The venture marketplace is unlikely to see a return to the old model. However, we also know that capital markets are innovative, and they are flexible. They will undoubtedly adapt to the pressures. Overtime, market participants will, as they always have in the past, find innovative ways to intermediate capital to small business, but it will take time before a new, efficient model emerges. For our part, the IIAC remains committed to fostering a vibrant, investment industry driven by strong and efficient capital markets. We will work with our investment dealer registrants to ensure their ongoing success in difficult times.

Thank you.

Nick Barisheff

Good afternoon. It is always a pleasure to speak at the Empire Club. The market outlook in 2016 presents significant challenges and opportunities that we have not seen for forty years. Since I began working on creating our first bullion fund in 1998, I have generally restricted my commentary to using precious metals for strategic portfolio allocation. Everyone agrees that investment portfolios should be diversified. Since gold is the most non-correlated asset to traditional financial assets, it provides important portfolio diversification. A strategic allocation of at least 10% reduces portfolio risk and improves returns over the long-term.

This year, I would like to talk about a tactical opportunity, a market disparity that exists because of an artificial low in the price of gold and an unsustainable high in financial assets. Everybody understands the concept of buy low, sell high. But the opportunity for 2016 is going to be sell high and buy low. Although the Canadian market has been somewhat muted, many Canadians have invested in U.S. equities since 2009. And, since 2011, they have also received that 32% bonus because the Canadian dollar declined against the U.S. dollar. However, this rise in equities is largely the result of the U.S. Federal Reserve increasing its balance sheet. The monetary policy of low interest rates resulted in trillions of dollars in stock buy-backs and mergers using low-cost, borrowed money. Monetary policies on part of the world's central banks have caused bubbles in stocks, bonds, real estate and exotic cars. It is not likely to continue in 2016, and the risk of a major correction looms.

In 2000, we had the tech sell-off that no one expected. Eight years later, we had the subprime sell-off that no one expected. In 2016, another eight years along, we are likely to have an equity sell-off as global economies contract and political tensions increase.

It should be clear that the global economy is contracting, and there are numerous vulnerabilities. There are several methodologies that summarize the current market fundamentals without getting into the details and provide an excellent predictor of future trends. These are the Buffett Indicator, the Shiller P/E Ratio and the Tobin Q Ratio.

The Buffet Indicator uses the total market capitalization of U.S. equities divided by U.S. GDP. The only other times that the Buffet ratio exceeded 100 was prior to the tech crash in 2000 and a credit bubble in 2008.

The Schiller P/E is a popular indicator of stock valuation. The 134 year average is 16.7 whereas the current ratio is 25.9 or 55% overvalued. The ratio has only been this high on three occasions: 1929, 1999 and 2007. Each time it happened, stocks dropped by over 50% and did not recover for years.

The Tobin Q Ratio, which measures market value versus replacement costs, is considered one of the better, long-term indicators of a pending market decline. The current Tobin Q Ratio exceeds the 70-year average of .7 by 58%. This ratio only rose above this average in 2000 and

2008. This time, however, the correction could be much worse than either 2000 or 2008.

Not only do we have a significant overvaluation, but historically high margin debt will accelerate the decline due to margin calls. These conditions provide investors with the opportunity to sell high and take a profit.

The buy low opportunity exists because gold has been in a cyclical correction for three years and seems to have formed a bottom. Gold's strong fundamentals point to a bright future and, of course, gold has always protected portfolios during market declines, as you can see from the accompanying chart here. The future for gold pricing is not complete without understanding the implications that China will have. China has been increasing its gold reserves and has made a number of strategic moves that threaten the U.S. dollar's currency reserve status. China has signed twenty-eight currency swap agreements wherein the U.S. dollar is no longer used to settle trade imbalances. The Asian infrastructure bank has been formed as an IMF alternative to provide loans to BRIC countries. The yuan currency exchange hub has been created in Canada with the ICBC bank. China has developed an alternative to the SWIFT system of international currency transfers, and Russia is also developing its own version.

A Shanghai Gold Fix, which is scheduled to be introduced in the spring of 2006, has a good chance of eliminating the short selling that takes place on the COMEX because the Shanghai Gold Fix is going to be based on physical only without any paper market dilution. If traders try to drive the price of gold down on the COMEX through shorting, arbitrage traders in Shanghai will quickly counter the move.

In 2015, the result of these changes has already started to show as a 71% of the U.S. Treasuries were purchased by the Federal Reserve itself with newly issued currency as demand for U.S. dollars has decreased.

Finally, to reinforce the buy-low opportunity, a comparison to this cyclical gold correction from 1974 to 1976 and a subsequent price rise serves as a good example. At that time, after 445% rise from 1971, gold declined 45%. Gold sentiment was at a record low and the media, was full of negative gold commentary, just as it is today. On March 26th, 1976, the *New York Times* stated, "For the moment at least, the gold party seems to be over." It also quoted a Citibank letter that declared "Gold was an inflation hedge in the early 1970s, but money is now a gold-price hedge." It suggested that the rout was due to the "victorious dollar." The "victorious dollar" has lost 80% of its purchasing power against gold since that day in 1976.

After two years of decline, many investors sold their gold holdings and vowed never to invest in gold again. However, in the fall of 1976, gold began its assent. It saw a 750% rise peaking at $850 an ounce just three years and four months later. After a three-year correction, the same opportunity to buy low exists today just as it did in 1976. Of course, conditions were different then. We did not have a stock market that was in a bubble, and the total U.S. debt at the time was $800 billion. That is less than the annual deficit.

I am often asked, "How high will the price of gold go?" And I still think it will hit $10,000 an ounce as I have described in my book. The conditions detailed in my book are very much still in place, and many of the vulnerabilities that I discussed have actually increased.

Now, the other indicator is that there has been a lock-step relationship between gold and the U.S. dollar as this chart suggests. If the U.S. debt continues to increase at the same rate that it has in the last ten years, they will actually reach $26 trillion. This is a good indicator that a gold price of at least $2,500 is likely in the near future.

Thank you.

Greg Greer

Good afternoon, and, thank you, to the Empire Club of Canada for inviting me to speak today. It is an honour and a privilege to be here. As we enter 2016, it is natural to ponder what the coming year might bring. For those of us in the capital markets, it is necessary to identify and assess the key drivers that will influence the asset classes in which one can invest. Today, I would like to discuss three key themes that are likely to capture investor attention throughout 2016: The Federal Reserve, the price of oil and capital market liquidity. Although these topics may seem obvious, I expect the discussion on each will develop meaningfully in the year ahead.

Before I touch on each theme in detail, I want to share something with you that I learned early in my capital markets career at Scotiabank. At first glance, this slide may seem intuitive and perhaps insignificant. However, it has been a formative concept in how I look at assets and markets. It represents the notion that all asset classes within the global financial markets are interconnected. Interest rates influence currencies, which influence commodities, which influence equities, which influence interest rates. You get the idea. This concept is as important as ever in determining investment opportunities in 2016.

On December 16th, 2015, the Fed raised the Fed Funds rate by 25 basis points. The rate hike was anticipated as the day drew near with Fed Fund futures pricing in a 75% probability of a hike. This rate hike occurred seven years after the 2008 cut to near zero and marked the first U.S. benchmark rate increase since June 2006. This policy action was justified by an improving U.S. economic outlook. The Fed forecast that economic activity will expand at a moderate pace supported by labour market strength. Inflation is expected to hit the Fed's 2% target in the medium term.

As the outcome was largely predicted, market reaction on the day of the announcement was muted. Bond prices moved moderately lower; equities rallied; commodities weakened; and the U.S. dollar strengthened. Since then the market has been relatively illiquid and moves have been directionally similar leaving us with one question: What is next from the Fed? To try to answer this question, we can look forward to ascertain the sentiment of the Fed itself and look backward to review historical Fed actions during an election year.

Fed Chair, Janet Yellen, emphasized that U.S. monetary policy will remain accommodative and that economic conditions are expected to warrant gradual rate increases. As the Dot Plot survey consensus of Fed members suggests, we can expect up to four rate hikes this year. In each and every case, the expectation is for higher Fed Funds in 2016. Despite the expected increases, the Fed Funds rate is widely projected to remain below long-run levels for some time with the path of future increases remaining data-dependent.

As this table shows on this slide, there is no set pattern to Fed behaviour in an election year. The Fed raised rates three times during periods of economic expansion in 1988, 2000 and 2004. More recently, and, understandably, in 2008, the Fed cut rates. In September 2012, the Fed eased in a sense when they commenced QE3. Based on this information, it is difficult to predict the exact trajectory of Fed Funds in 2016. From Scotiabank's perspective, our current forecast is for Fed Funds to be at 1.5% by the end of

2016.

Higher U.S. rates should also contribute to continued U.S. dollar strength. The U.S. dollar is expected to gain renewed impetus fueled by economic growth and interest rate differentials. Scotiabank's forecast for U.S. dollar CAD is 1.39 at the end of 2016.

The second theme I would like to discuss is the price of oil and its relationship to the Canadian dollar. This graph displays the strong correlation between oil and the Canadian dollar. The loonie has declined more than 15% over the last year touching an 11-year low in late December. Meanwhile, the price of WTI fell to its lowest level since 2009 after OPEC announced its decision to abandon production limits. According to Statistics Canada, mining, quarrying and oil and gas extraction represent only 8% of Canadian GDP. However, oil price variability has clearly influenced both the energy sector and the strength of our domestic currency. Given its impact on our nation's investment outlook, the question we face is *What will happen to the price of oil?* We, again, can look forward and backward to analyze potential outcomes.

Looking forward, the most obvious place to start is the supply of and demand for oil. As shown on this chart, the potential for demand growth to slightly outstrip supply at current prices is underpinned by an overall reduction in production activities and an increase in global demand. As highlighted by Scotiabank economics, global demand for oil increased by 1.9%, or 1.8 million barrels per day in 2015—the fastest pace in five years. It is projected to advance further in 2016. Scotiabank's 2016 forecast for WTI is no more than $40 to $45 per barrel.

When considering the history of oil prices, it is instructive to acknowledge that some market participants' perspectives have only been formed based on the last seven or eight years, as shown by this graph. Over this period, the price of oil generally trended in one direction: Up. However, looking further back exposes oil's vulnerability to many factors, including economic cycles, geopolitical events and liquidity. As shown here, the average price of oil from 1990 to 2015 was approximately $47 per barrel.

The last concept I would like to discuss is capital markets liquidity, which is highly relevant in the context of the previous two themes. To properly discuss liquidity, one must first start with a definition that provides perspective for the capital markets. Martin Barnes, Chief Economist at BCA Research, laid out three ways of looking at liquidity. The first has to do with overall monetary conditions—money supply, official interest rates and the price of credit. The second is the state of balance sheets, the share of money or things that can be exchanged for it in a hurry. The third, financial market liquidity, is close to the textbook definition—the ability to buy and sell securities without triggering big changes in prices.

Let us consider assets across the liquidity spectrum under normal market conditions. Currency and government bonds are very liquid. They trade on electronic platforms and include most market participants. Equities are liquid, trade on electronic platforms and involve many market participants. And commodities and corporate bonds are less liquid, largely trade over the counter and include fewer participants.

In the context of U.S. monetary policy, the liquidity of U.S. government bonds will not necessarily change in 2016. However, the cost of that liquidity may change given uncertainty around Fed activity. This phenomenon is captured when comparing the Merrill Lynch Option Volatility Estimate or MOVE index compared to ten-year, historical U.S. Treasury yields. In periods of uncertainty, we expect a flight to quality as capital flows to the safest assets, U.S. treasuries.

The impact of liquidity on the price of oil is also relevant, particularly, when we think of access to capital in the energy industry. Recently, the debt capital markets have provided a tremendous source of funding for energy issuers as shown on this slide. In the U.S. alone, investment-grade and high-yield energy companies have raised more than $750 billion over the last five years.

Looking forward, however, conditions are becoming more challenging. The cost of issuance has risen, and liquidity has declined. Alternative sources are needed. Potentially filling the gap are private equity, which is designated significant funds for investment in the energy sector, as well as asset sale programs, which could provide energy companies with another source of liquidity.

In closing, 2016 should be an exciting and interesting year in global capital markets with the Fed, the price of oil and liquidity all influencing investment opportunities and performance.

I will leave you with one closing quote from John Maynard Keynes that continues to hold true in today's ever-changing markets. "The market can stay irrational longer than you can stay solvent."

Thank you very much, and I wish you a prosperous 2016.

Note of Thanks by Dr. Gordon McIvor

Thank you very much, Ian, Nick and Greg and for those of you who follow these lunches over the years, ladies and gentlemen, you know that this Club goes back to 1903. We were set up to discuss political and societal issues but quickly also began looking at economic forecasting, and it is a long tradition. If you go back and look at the speeches from this Club, in the '30s, we were talking about whether we would be coming too communist or not. Over the eras, you can literally track the history of Canada through the speeches of the Empire Club and these types of economic forecast lunches.

For the last 22 years, these lunches have been organized by our own William White who, of course, as you know, is the Chair of IBK Capital and a board member of the Club, so I really want to thank Bill for his ongoing work over the year because you may not know this: There are about 300 to 500 people in a room every year, but this event is now watched by hundreds of thousands of people all over the world through our webcasting abilities in London, Beijing, Frankfurt—so a lot of investors are actually getting their ideas for the coming year around the world from what is said at this lunch.

So I want to invite Bill to thank our speakers, but, before he thanks our speakers, I would like you to join me in thanking Bill for 22 years of great lunches.

Note of Appreciation by William White, Chairman, IBK Capital Corp; Director, Empire Club

Mr. President, distinguished head table guests, fellow members and guests of the Empire Club of Canada, I have the pleasure to express our formal thanks to our three key speakers and their firms. Ian Russell, President and Chief Executive Officer of the Investment Industry Association of Canada; Nick Barisheff, President, Chief Executive Officer and Chairman, Bullion Management Group Inc.; and Greg Greer, Managing Director and Head of Global Debt Capital Markets, Scotiabank. Gentlemen, what you did today, why you did it, and how you did it helps each of us to better understand and embrace the capital markets for this New Year. Each of your presentations pointed out how difficult 2015 has been, as well as the many challenges and, more importantly, the major opportunities available in 2016 to all of us as Canadian investors.

Please, join me now in a warm and special thank you to Ian Russell, Nick Barisheff and Greg Greer.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Bill, and thank you to our generous sponsors today, IBK Capital Corp.; BMO Financial Group; TMX; CFA Society, Toronto; Prospectors and Developers Association of Canada; Stikeman Elliott; Canadian Securities Exchange; Weirfoulds LLP; Qtrade Financial Group; Watts, Griffis and McOuat Limited. And thanks to them for being our gold sponsors today. I would also like to thank Bullion Management Group Inc. and the Bank of Nova Scotia for being our event sponsors. Thank you to IBK Capital for sponsoring our student table today, and, lastly, I would like to thank the Investment Industry Association of Canada for being our presenting sponsor today. Also, regular thanks go out to the *National Post*, our print media sponsor, to Rogers Television, our television sponsor, and to Mediaevents.ca, which broadcasts, webcasts, and podcasts this event at a global level.

Please, follow us on Twitter at @Empire_Club and visit us on line at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. And we hope you will join us in the coming weeks and months, ladies and gentlemen. We have some great events lined up, including that our new police chief is going to be here in a couple of weeks, February 2nd, at the Arcadian Court. He will talk about some of the new initiatives for 2016 in our police force. We have the President and CEO of the Canadian

Electricity Association, Sergio Marchi, coming on February 16th to talk about rates and rate changes in the coming year. We also have to look forward to the Chief Justice of Canada, Chief Justice Beverley McLachlin, who will be appearing at the Arcadian Court as well on June 3rd.

Thank you, ladies and gentlemen. Happy New Year, and this meeting is adjourned.

The Empire Club Presents

THE HONOURABLE CHARLES SOUSA MINISTER OF FINANCE OF ONTARIO:

February 16, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us through either our webcast, our podcast or on Rogers Television, welcome, to our meeting today.

Now, before our distinguished speaker is introduced today, it gives me great pleasure to introduce you all to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Charles Sousa, Minister of Finance of Ontario

Guests:

Mr. Andrew Bevan, Chief of Staff & Principal Secretary, Office of the Premier of Ontario

Mr. Noble Chummar, Partner, Cassels Brock and Blackwell LLP; Past President, Empire Club of Canada

Mr. Paul Fogolin, Vice President, Government Relations & Communications,

Ontario Retirement Communities Association; First Vice President, Empire Club of Canada
Mr. Ali Ghiassi, Chief of Staff to Ontario's Minister of Finance
Hon. Mitzie Hunter, Associate Minister of Finance; MPP Scarborough–Guildwood
Martine Irman, Vice Chair, TD Securities
Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Neil Parmenter, Senior Vice President, Corporate and Public Affairs, TD Bank Group
Mr. Gerry Phillips, Former Cabinet Minister and MPP
Mr. Bob Richardson, Executive Vice President of Public Affairs, Edelman Canada; Vice Chair of the Board, Ontario Centres of Excellence

And I am Gordon McIvor, the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

I would also like to acknowledge the presence in the room today of MPP Arthur Potts who joins us. Mr. Potts, welcome, to the meeting.

Introduction

There are thousands of incredible speeches in the archives of the Empire Club of Canada, and when one has the chance to sift through them from time to time, it becomes clear that certain thematic favourites reoccur on a regular basis. This is particularly true around anything relating to finance and job creation. Rough calculations indicate, in fact, that there are close to 850 speeches that deal with the latter theme that have been delivered at this podium since we first opened for business back in 1903. This is not, to be clear, some troubling sign of a lack of originality from the Club or its thousands of guest speakers over the decades but rather a clear indication of the importance that Canadians and our fellow Ontarians attach to personal and corporate wealth creation, most often achieved through gainful employment.

The visit of our Finance Minister of Ontario this week comes at a time when Canadians are thinking a lot about their own workplace futures in the world economy that has become as volatile as it is unpredictable. For some, these are times of great opportunity, and, for others, stressful times of uncertainty as they face a new economy without always having the requisite skill sets to succeed. Many finance ministers have grappled with this reality in the past, including the man who sat in the Federal Finance Minister's chair the year that Minister Charles Sousa was born. When the Honorable Donald M. Fleming addressed the Empire Club on February 13th, 1958, there was a 6% premium on the Canadian dollar that was creating a very heavy handicap for exporters and the tourism industry. And while this problem was pretty much at the opposite end of the spectrum where we find ourselves today, it was creating anxiety in many Bay Street boardrooms and led the Minister of the day to talk about the fundamental issue of job creation.

Now, here is a very brief extract from that speech entitled, “The Dollars and Sense,” delivered almost exactly 58 years ago to the day:

> There is much also that government can do to assist in meeting an immediate problem of unemployment, particularly, if they have sufficient warning of it. There is the opportunity for direct creation of work through construction programs. This opportunity is open to all levels of government and the municipalities are a very fertile source of employment of this kind, and the work provided at the municipal level has the advantage of providing it where it is most needed without uprooting those for whom the work is created.
>
> The provinces, likewise, have open to them a wide field of very useful public investment in the construction of highways, bridges, and useful public works programs which will, at the same time, create a large volume of employment. The terms upon which all levels of government are able to borrow have eased greatly in the last six months. Money is plentiful and interest rates on new borrowings are substantially lower.

Now, finance ministers think a lot about the importance of getting Canadians to work, and Minister Sousa’s speech today will be no exception. It will become in the historical archives of the Empire Club a snapshot in time of how we, as Canadians and as Ontarians, dealt with job creation and economic growth during a period of oil gluts; a very strong American dollar; anxiety about climate change and terrorism; and a disparity in wealth distribution, which is creating a wider gulf between the haves and the have-nots of society.

Our guest speaker today certainly brings his own unique perspective to this current environment. This year, Minister of Finance Charles Sousa will be presenting his fourth budget to the Ontario Legislature. Like the federal finance minister who spoke from this podium the year that the Minister was born, he has spoken about the need to invest in infrastructure and public services, and he has spoken about the need to keep Ontario a low-cost place for business. So despite all the change around him, Minister Sousa has been a steady, consistent person in articulating these major themes.

So, ladies and gentlemen, to talk about where Ontario's economy is heading and what the Ontario government is doing to continue to help keep our businesses strong and successful, please, join me in welcoming back to the Empire Club—I think for the third or fourth time—the MPP for Scarborough South and our Minister of Finance, Charles Sousa.

The Honourable Charles Sousa

Thank you, Gordon. Thank you for the kind introduction. Just to correct the record, that would be Mitzie Hunter who is the MPP for Scarborough-Guildwood and my colleague in the Ministry of Finance. You also mentioned Arthur Potts who is my colleague, our colleague, the MPP from Beaches–East York. We also have someone else here in our audience—actually two other people I would like to mention: One is Eleanor McMahon, our newest MPP from Burlington and a champion for cycling in our province. Thank you. Where is she? There she is. And I would be remiss not to mention another great MPP, a mentor to so many of us for so many years, and the retired Gerry Phillips is not retired after all. He is at work every day in my office as our Senior Intern. Gerry, thank you for being there every day.

However, Gordon, I would also like to introduce the most important person in the room, someone I first met in kindergarten and, yes, she has kept me ever since. We have been married for over thirty years. Please, welcome my wife. Zenny, thank you, for being here today.

So Gordon took us back in time, and, as we look back at 1958, it is humbling to think about all the things we enjoy today that did not exist back then, like computers or cell phones. No Twitter, no BBM, not even fax machines. The economic challenges faced then, however, were similar, but the opportunities available to us today are very different, and the work you do is different, too, and I think you all appreciate it. So, thank you, all, for taking time out of your busy schedules to be here as well.

And it is really a busy time of year. We just finished hosting a very exciting and successful NBA All-Star Weekend, and, as I look around the City of Toronto, we are still hosting the world at the auto show, the golf and travel show, the outdoor adventure show, and the motorcycle show. This is a vibrant, exciting city and a vibrant, exciting province. Ontario is where opportunity happens. It is a great place to do business, to learn, to raise a family. Here, we work hard to get ahead but not at the expense of each other. Instead, we invest in each other. We help each other find opportunity and together Ontarians are working hard to make sure that it stays that way. And, for our part, as your government, our number one priority is jobs and the economy. That has to be a priority in good economic times and in challenging times as well.

First, I will talk about where we find ourselves in the global context of the economy. Second, I will talk about what we are already doing and how we are creating jobs and growth in Ontario's economy. And, third, what will we do in the future to attract investments and stay competitive?

So, first, let us talk about where we find ourselves. The global recession battered many places around the world. Some opposition critics like to pretend Ontario exists in a bubble and that the hard challenges of the global recession only happened here. As Finance Minister, I do not have the luxury of living in that kind fiscal fantasy world. I deal in the cold, hard currency of reality, and here is what I see: We made bold choices, hard choices, the right choices. Other governments in the world took a path to austerity, either by choice or because, frankly, they were forced to, and yet some on the right said Ontario needed to follow suit. But those economies are still struggling today. They chose short-term pain for long-term pain. Other governments, on the other hand, chose to spend and spend and borrow. And some on the left said Ontario needed to spend more and not worry about deficits, but that, too, would have been reckless and irresponsible because we cannot simply pass the burden of debt onto future generations. We have to keep an eye on debt, and that is why Ontario chooses a balance approach. We made smart, targeted investments in areas that would give us a competitive advantage down the road by charting a path to balance and chipping away at the deficit. We did not sacrifice our universal healthcare programs or social programs or public funded education. Year in and year out, we have followed the same prudent patient plan to beat our targets. Now, I know that some are critical of Ontario's level of debt and are worried about the rise of net debt-to-GDP ratio. It is important to note that Ontario's debt-to-GDP ratio still remains below 40%, and we are aiming to bring it below 30% over time. But the solution is not to slash blindly at the very investments that stimulate growth. That is like slashing your tires and wondering why we are not moving ahead. Yes, we must control spending and our expenses which we have done.

Ontario is the lowest per capita cost provider of public services anywhere in Canada, but you also have to look to foster growth in the economy, so we are managing debt and attracting investors. Our bonds are extremely liquid and highly sought after. They are in demand, and that is because investors have confidence in our plan, confidence in our balance approach and confidence in Ontario. We are taking advantage of low interest rates. We have issued over $53 billion of bonds since 2010 at 30-year maturities, which means we are locking in low interest rates to help manage the cost of debt to minimize rate volatility. Key indicators of our capacity to afford debt are the debt-to-GDP ratio as well as interest on debt as a percentage of revenue. So let us compare.

Ontario's IOD to revenue was 12% under the Rae government. It grew higher to more than 14% during the Harris and Eves administration. Then it fell to 9.3% under Premier McGuinty, and over the last four years, Ontario's interest on debt as a percentage of revenue fell again, even further to below 9%. Now, part of that is because of lower interest rates because, I have said, we have locked in our long-term rates to protect us against increases. Furthermore, we have been careful to manage debt by borrowing $25 billion less than forecasted. Positive measures were taken, and we beat our targets, and today Ontario's economy is growing, and investment by businesses are growing, too. Productivity is key. Keep in mind that businesses did improve productivity during the downturn, and, while uncertain economic winds are currently blowing in the right direction for Ontario, a low dollar, low oil prices, a steady U.S. demand favouring Ontario exports—yes, we are poised. We are poised, so we need to seize the opportunity and seize the moment and increase our productivity even further, as well as take advantage to grow our exports beyond the U.S. and expand to other markets. Make no mistake, the U.S. is our key partner, but we are still facing real risks. Lower oil may benefit Ontario temporarily, but they hurt other regions of Canada. Equities are unstable, and there are signs that U.S. growth is slowing down. That is why we need to diversify to other markets.

I recently visited China and saw signs of fundamental change as they move towards a more consumer-based economy that offers real opportunity for Ontario. Over the last ten years, China has been a large importer of natural resources from Canada. It was focused mainly on manufacturing. That was good news for Alberta and Saskatchewan; however, as those emerging markets switched to more retail, we can expect higher demand again, but this time it will be for value-added products and consumer services. Now, that is Ontario's advantage. We are world leaders in engineering services and

ICT, in health sciences, retail and financial services. We are in great shape to meet these changing economic demands.

So that is the global context in which we find ourselves which brings me to my second point, and that is the things we are doing to be more prosperous. As stated, Ontario's economy is growing. That is a fact. Since the recession in 2009, our GDP has grown over 20% to be a $722 billion economy, and it is still expanding. More importantly, our businesses have created more than 600,000 net new jobs over that time, and, in the last eight weeks alone, Ontario has created 50,000 new jobs—that is, 50,000 mostly full-time, high-paying jobs in the private sector, enough to fill the Rogers Centre. And thanks to this growth, our unemployment rate has improved below the national average.

So what is behind the growth in jobs? Well, smart businesses and entrepreneurs for one, but also a business climate and an investment climate that is one of the most competitive in North America. We have cut the effective marginal tax rate on new business investment in half since 2009, and we have a lower combined corporate income tax rate than any of the U.S. states. We continue to reduce the cost of doing business by eliminating regulatory requirements and duplication, and, more importantly, we have the most highly skilled workforce in the world.

We are tackling tomorrow's risks and challenges with the same steady, long-term approach that got us out of the recession and into the competitive place we are today because we believed then as we believe now: When you invest in strategic infrastructure; when you invest in building for tomorrow; when you invest in people, in talented skills, you are building a competitive economy, and that supports jobs and growth. And that is what we have always done in Ontario. You heard reference to Minister Fleming. Ontario always made those kinds of forward-looking investments. It is just that what we choose to invest in has changed. And, as our economy has changed, a century ago, Ontario was a very different place. Cities were smaller. A lot of us lived and worked on farms. Small towns had mills and light manufacturing. The focus of the economy was more local and agricultural. We took advantage of our plentiful natural resources.

Then, not long after, we burned coal. It was cheap, and smoke stacks were everywhere. In the mid-20th century, our economy became more industrial. More roads were built to get us moving around, and the suburbs started to sprawl. When I was a kid in the ‘70s, a lot of people chose to get a job right out of high school. Those were pretty good times. Cars were bigger. Hair was longer. My waist size was smaller. I miss that. But that is nostalgia, and pretending otherwise, especially, if you are in business or government, would be foolish, and yet some folks think it is preferable and even possible for our economy to move backwards, and they think all we need to do is cut taxes even further. Snap your fingers, and all the mills will reopen. Smoke stacks will spark up. Bell bottoms will return, and classic rock will make a comeback. Listen, I like Led Zeppelin, too, but, while being retro is a fine fashion statement, it does not work as a financial statement because yesterday is behind us. We are not just doing business with our neighbours down the street or even across the border. People are global. Business is global. Jobs are global, and, in this global context, local is very important. Our local agri-food processing, mining, forestry, and traditional manufacturing are critical to our economy. The huge potential of Ontario's Ring of Fire in the far north, together with building a new smelter, for example, would give our province a substantial lift. These are primary and essential industries.

Today, we also have a knowledge economy and advanced manufacturing. Yesterday, no one was worried about climate change. Today, it is here, and we have to find a way to deal with it. Yesterday was all about cars. Today, people need and demand more transit options. Yesterday, a high school education was enough to land a job. Today, people need post-secondary to be competitive.

So, yes, decades ago we enjoyed some pretty good times, but these are really exciting times, too. Challenges like climate change are bigger, but since when have Ontarians shied away from a challenge? And the opportunities—they are incredible. We are leaders in quantum research in Waterloo. We have opportunity to lead the world in cleantech and fintech and, in the next generation, in all tech. That drives the economy. We have opportunity, the opportunity to be on the frontlines in a low-carbon economy, to be home to the best schools, colleges, and universities, to be the incubator for great ideas that will move our world forward. So that is why we are seizing those opportunities right now. New technologies can be disruptive, but they can also be beneficial. Look at your smartphones—not right now. Smartphones created a whole new industry of apps and service providers overnight and are destroying landlines, cameras and paper maps. The lesson is clear: Those who are first to innovate, win and win big. Those who are last to adapt lose ground, and, in an environment like that, in a globally competitive, quickly changing, knowledge-based economy, we need smart, well-educated, creative workers who can develop and take advantage of those new opportunities. And underneath all that, you need to invest, invest in effective hardware, too, new public transit and modern infrastructure. You need to invest in those infrastructure measures, so businesses can deliver goods to market quickly and competitively. We started these investments when times were tough during the recession. We did not listen to those who would simply have us kick the can down the road. We did not sit around and wait for things to somehow get better. We created a plan. We rolled up our sleeves and got to work. We made investments and, like other governments, including the federal government, we all went into deficit.

But, in 2010, we set a path to balance, and let us be clear: We will balance the budget next year. Let me say that again: By next year, we will announce a balanced budget. We will announce a balanced budget as planned, on schedule and through strong fiscal management. Balancing the budget is part of the foundation of our economic plan. It is why we focus on a dynamic business environment, on strategic infrastructure, on investments and skills and training, all within a fair society. Chipping away at the deficit matters. To continue looking forward, not backwards, matters. To strengthen our province's place in the knowledge economy matters. There are opportunities to be seized upon, but we need to act quickly. So we will deliver this year's budget very soon. In fact, tomorrow, in the Legislature, I will be formally announcing that our government will table the 2016 budget on Thursday, February 25th.

I am proud that this budget will reflect priorities of Ontarians with whom we have consulted extensively. These consultations have informed us in how to meet the changing world around us. Just as new technologies change our economy, they pave new ways for people to connect with government, and, in this digital age, especially, through budget talks, we connect to conversations anywhere, anytime to keep up to date and to be nimble. And people share their insights, and that is helping us write the budget, to help position Ontario for greater prosperity.

And my final point is how Ontario be competitive in the future. Our budget will propose the Business Growth Initiative. It was initially introduced in a recent fall statement. It is a new and collaborative partnership between colleges and universities and businesses that will help us discover new innovations to bring them to market and create jobs. We will identify investments from cleantech to the auto sector. We will promote hubs to ensure Ontario schools and industries can work together to advance, produce, and deliver to the world.

We will also be strengthening Ontario's leadership in financial services—and speaking of this sector's leadership, congratulations go to Maureen Jensen, who recently was appointed as Chair of the Ontario Securities Commission. She is well-respected for her extensive work and as the first woman to hold the position. Maureen? I would not applaud too much; I mean I kind of feel sorry for her: We will be relying on Maureen for her leadership to assist us in a transition to a common national securities regulator which is yet another project long overdue, and that will make our capital market system more competitive. Thank you, Maureen.

And to further strengthen our leadership in the financial sector, I am pleased to announce that we will be partnering with a $900,000-per-year commitment with the Toronto Financial Services Alliance. This will help promote a key sector that drives growth and innovation and certainly offers many opportunities.

So before I close, I would also like to provide you with an update regarding the Ontario Retirement Pension Plan. Retirement security is a key part of our plan for economic prosperity, as well as social fairness. Three-quarters of Ontario workers between the ages of 25 and 34 do not have a workplace pension. Thanks to Mitzie Hunter, the ORPP will be there to close a retirement savings gap for the people, and, as you know, of course, pensions are pools of capital. Not only does the ORPP provide for workers in retirement, it leverages something that Ontario excels at: Ontario is respected and renowned for running strong pensions and pension funds. Funds all over the world use our capital to invest in lots of projects. For example, in 2010, the California Public Employees' Retirement System invested over $200 million in an ownership stake of Gatwick Airport. Last year, CPP, OMERS and Ontario Teachers' Pension Plan invested almost $300 billion in the Chicago Skyway Toll Road, and the ORPP will make decisions on investments through an independent board arm's length from government. We all benefit from higher disposable income at retirement as well as by increased level of investments.

So I am pleased to announce today that we have reached an agreement with our federal partner to work together to achieve our mutual goal of improving pensions for all Canadians. We have agreed to enter into a national dialogue to enhance the Canada Pension Plan. To foster and accommodate this dialogue, we are extending the time required to comply with the ORPP. We have heard from businesses such that Ontario will start enrolment of the employers in January 2017 and only start the first phase of contribution in January of 2018, one year later than originally planned. So we are giving employers more time to prepare, and about 400 companies involved will have the extra time that they have asked for. Ottawa has agreed to facilitate the ORPP registration and data sharing arrangements, so we will explore options with Ottawa to ensure that key elements of the ORPP administration are completed efficiently and cost effectively. It is also an agreement that will allow us to look at ways to meet the goals of the ORPP within an enhanced CPP framework, and should provincial agreements on CPP enhancement not be realized, then this will still preserve our ability to implement the ORPP. In either case, more Ontarians will experience a more secure retirement because we know that, in the end, you reap what you save, and I will have much more to say on these and many other things next week.

Ontario's 2016 budget is looking to the future. We do not spend a lot of time looking backwards. Instead, we ask, "What's next?" And what is next is a province determined to lead the world, led by productive businesses and talented people with a government determined to work together with Ontarians and as Ontarians. And when I look around Ontario today, I see what everyone who comes here sees so clearly, what my old man saw when he first arrived in 1953. When I look at Ontario, I see room for everyone, room for everyone to compete and do business, room to learn and, above all, room to help each other working together to achieve jobs for today and jobs for tomorrow.

Thank you everyone for your time.

Questions & Answers

Q: I would be interested to hear any tips you might have for the budget, specifically with respect to the FSCO mandate review this year?

CS: That is a good question. There is quite a bit of reviews as you know from FSCO, DICO, investment advisors. We have just announced some changes to the credit unions, and all of that will be outlined shortly. It is an exciting time to enable us to be more competitive, also to be more responsive to consumers and to enable the industry to strive. It is a critical industry in Ontario. We have taken quite a leadership role. It is a huge contributor to our GDP, and I am very excited about some of the recommendations I have seen thus far, so there is more to come in short order. Thank you.

Q: As a small businessman who has a store in Kensington Market, I am extremely proud of you. When you mentioned your dad, it really touched a soft spot. You came from an extreme beginnings, and you made it to be the Minister of this wonderful province that I love and I adore, and it shows you that, in this country, you can do, and there is room for everybody to reach—the sky is the limit. And thank you for allowing me to be part of this, and I do believe in you, Minister. You spoke from your heart. You are a great speaker. It is unbelievable to

see you at the Empire Club. I knew you from Kensington Market—you and your beautiful wife—and it gives me a great pleasure to know you for all those wonderful years when we were kids. Thank you very much, Minister.

CS: So here is a shameless plug: You talk about the ingenuity and the hard work that the people of Ontario make day in and day out. That is Tom from Tom's Place. You have got the best suits anywhere—right from Tom, anywhere you need to be. We have known a lot of merchants in Kensington Market over the years when I was growing up. My wife's father had his store right next to Tom's, so he was also there to make sure that I do not go out of line. He is a great guy as are so many in the Market who actually informed me in enabling us to have that work ethic to ensure that we look out for one another. So Tom, thank you very much, for being here as all of you. Have a great afternoon. Thank you.

Note of Appreciation by Noble Chummar, Partner, Cassels Brock & Blackwell LLP

Thank you, Mr. President, Minister Hunter. Minister Sousa, thank you, for your remarks now at your fourth time here at the Club. It is clear that your priorities in this budget and in your term as Minister has been jobs and the economy. We appreciate you addressing the Club. You heard it here, first: The budget will be next Thursday, so, thank you, for choosing this podium to make that announcement, and you also heard it here first that there is a new national dialogue about the national pension scheme, and, thank you, again for your remarks.

On behalf of the Directors of the Empire Club and all of our guests here, we really appreciate your time and for your remarks. Thank you.

Concluding Remarks by Dr. Gordon McIvor, President, Empire Club of Canada

Thank you very much, Noble, and thank you to our generous sponsors today—TD Bank for being our event sponsor and Edelman for being our VIP reception sponsor.

I would also like to thank the *National Post*, which is our national print sponsor and Rogers Television, our broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event. And, as you may know, this event will be watched by tens of thousands of people around the world. Please, follow us on Twitter at @Empire_Club, and visit us on line at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram. And, please, join us again in the near future. We have lots of great events coming up; for example, Neil Bruce, the President and CEO of SNC-Lavalin will speak on March 23rd; Calin Rovinescu, the President and CEO of Air Canada will be here on April the 4th; and Chief Justice Beverley McLachlin joins us on June the 3rd.

Ladies and gentlemen, thank you so much for your attendance today. This meeting is now adjourned.

The Empire Club Presents

NEIL BRUCE
PRESIDENT & CEO, SNC-LAVALIN

SNC-LAVALIN: SHAPING THE FUTURE

March 23, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are just joining us either through our webcast or our podcast or at home on Rogers Television, welcome, to our meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce to you our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Neil Bruce, President & CEO, SNC-Lavalin

Guests:

Mr. Peter Buzzi, Managing Director & Co-Head, Mergers & Acquisitions, RBC Capital Markets

Mr. Paul Fogolin, Vice President, Government Relations & Communications

Ontario Retirement Communities Association; First Vice President, Empire Club of Canada
Mr. Richard Horrobin, Vice President, Commercial Services, Bruce Power
Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Mr. Jeff Lyash, President and CEO, OPG
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Mr. Steve Michell, Managing Director, Head, Consumer & Industrial Products, RBC Capital Markets
Ms. Sandra Pupatello, Former Minister of Economic Development and current Strategic Advisor, Global Markets and Public Sector, PWC
Mr. Preston Swafford, Chief Nuclear Officer and Executive Vice-President, SNC-Lavalin Nuclear
Ms. Verity Sylvester, Vice President, Corporate Accounts, CMC + CO; Past President, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

We are also very pleased to welcome a group of students who join us today from the Ted Rogers School of Management at Ryerson University. Students, welcome.

Introduction

Now, we are particularly happy, ladies and gentlemen, to welcome Neil Bruce, the President and CEO of SNC-Lavalin, to our podium today, as this company and its two predecessors, SNC and Lavalin, have been mentioned in countless speeches by business and world leaders visiting our

Club over the years. Their references to this organization were always in regards to the large international presence that the company has established over the past century and speaks to how Canadian engineering firms have truly made their mark on the world. Now, perhaps, Pierre Péladeau said it best when he stopped by the Club in February of 1988 and spoke to this emerging business elite out of our neighbouring province to the east which had come to be known as—you will probably recognize this term—"Québec Inc.," an elite that counted engineering firms, like SNC and Lavalin still operating as separate businesses, as two of their star performers. Here is what Mr. Péladeau had to say to our Club back in 1988:

> A few years ago, the word "profit" was looked upon by the so-called elite as a synonym for uneducated and mercantile people, and French Canadian youth were oriented mainly toward the priesthood or the so-called liberal professions of law, medicine, dentistry, pharmacy, etc. There were few engineers and very few in our graduate business schools. Today, our engineering schools are bursting at the seams. Lavalin and SNC are world-known enterprises headed by the graduates of our engineering schools, and, as Matthew Fraser of the *Globe* said in his excellent book *Quebec Inc.*, "The Québec business schools and management facul-

ties are producing almost half of Canada's business school graduates.

Now, when I had the honour of welcoming Her Excellency Gloria Macapagal Arroyo, the President of the Philippines, to a joint lunch of the Empire and Canadian Clubs back in 2002, she shone a light on the $1 billion finance, design and construction of Manila's new Light Rail Transit extension by the recently amalgamated SNC-Lavalin. And I remember distinctly how impressed the audience was with the magnitude and the scope of this project. The Prime Minister of Tanzania, the Ambassador of South Africa as it shed apartheid, and countless other statesmen and business leaders have spoken about this company over the year, and we have even had executives from the company at head tables, such as Patrick Lamarre, when various business lines of the company were being discussed by others, but today is the first time that we welcome the CEO of this iconic Canadian engineering firm to our podium.

SNC or Surveyer, Nenniger & Chenevert Consulting Engineers was established by Swiss-born Arthur Surveyer in 1911 in Montréal, and the founder had a really tough start before becoming known for its excellent work in hydraulics. Well, he partnered with many third parties in the early years. It was not really until 1937 when he signed a ten-year partnership with Emil Nenniger and Georges Chênevert that the firm really took off, becoming known all over the world when it completed the Manic-5 dam on the Manicouagan River which, at the time, was the highest, multiple arch dam on the planet.

Lavalin, as for that half of the company, was formed in 1936 by engineers, Jean-Paul Lalonde and Romeo Valois with the legendary Bernard Lamarre rising to the President and CEO position in 1962. When I had the honour of starting my career there in 1981, as the Director of Communications, he was considered arguably one of the best and most successful business leaders in our country, and he stayed in that position for 29 years being, by all accounts, the largest competitor to SNC. In 1991, the two firms merged and gave us the basic foundation of the company that we all know today.

Mr. Bruce, the incumbent President and CEO who we are welcoming today, had a long history with the company and has over 30 years' experience in the oil and gas, mining, energy and infrastructure industries. He already had 15 years' experience with Amex prior to joining SNC-Lavalin making him a true global business leader and forcing him to add skill sets, like strategic acquisitions and shareholder value creation, to his already highly developed expertise in engineering and construction.

His time in the President's chair has certainly not been without challenges and even the occasional setback. But the quality of his work is known around the world and led the Queen to appoint him an Officer of the Most Excellent Order of the British Empire in 2012.

So, ladies and gentlemen, we are really delighted to welcome to our podium of the Empire Club of Canada for the first time, the President and CEO of SNC-Lavalin, Mr. Neil Bruce, who is here to speak to us today on a very apropos topic which is the future and how it is shaped. But, before he takes the stand, I would invite you to join me in watching a short video.

Neil Bruce

Hello, everyone. After that introduction and the history of SNC-Lavalin, of which even I have learned some things today, there is clearly no pressure in terms of following on from all of that in history.

So, anyway, I am thrilled to have the opportunity to address you today. I felt that it was important that I make my first address of 2016 here at the Empire Club. Over the past decades, we have worked and delivered numerous major projects in Ontario that we are proud of. Close to 4,000 of our dedicated men and women continue to shape its future as designers, investors, constructors, operators of many of the iconic projects that contribute to this province's growth. This makes my presence today all the more fitting as I wish to share with you my view on the role that our business plays in Canada's growth and prosperity. Considering this is my first address in Ontario since my appointment as SNC-Lavalin's CEO, I thought a brief introduction was probably in order. I would like to start by telling you a personal story.

Two weeks after starting my very first job in the oil and gas industry, I was asked to go to the Brent Charlie offshore oil platform. It is about a three-hour journey by helicopter from land in the northern North Sea. This was my first time on a helicopter and my first time on an offshore oil platform. I want you to imagine a platform that holds 64 storage tanks, each with a capacity of four Olympic-size pools. It sits on a concrete substructure 150 metres above the ocean surface in a water depth of 140 metres and is designed to withstand storms with the ultimate 100-foot waves. The weather is just about as harsh as a traditional Canadian winter. I remember putting on my protective equipment with layers of clothing underneath, and I was thinking, "How can people do this all the time?" One of the guys came over to me and asked if I needed any help with my equipment. Let us just say that I looked like I needed help. He put me at ease. I was sitting in the helicopter, and, clearly, I was the only one concerned about what was to come next. I was the only one that was basically not reading a newspaper or sleeping soundly. The closer we got to the platform, the bigger it got, and a sense of nervousness set in. We landed, and I felt relieved, but, when I get off the helicopter, I realized how massive the oil platform really was. There were over 600 people on this platform, and there was an offshore, floating hotel moored alongside. I found it difficult to orient myself. I finally found my room that I would share with three other colleagues, and, at that point, I realized the importance of my role as a single person among many, each one of us doing our job, doing so to deliver this important project to our client, Shell, and also to our country, the U.K. This is the platform that gave the Brent international oil price its name. It supplied 13% of the U.K.'s oil and gas and 10% of the ultimate gas needs of the country.

At one point, I met with my supervisor who asked me if I could help with structural punch listing, so I pretended that I knew what structural punch listing is—at least until I would ask someone who explained that the top side of the platform was put together from 40 to 50 component parts, totaling over 30,000 metric tons. That is the equivalent in weight to about 180 Boeing 777s. 'Structural punch listing' means going to each of these parts that was built on land and sank to the offshore platform to see what has not been done. I had to document everything and miss nothing. This was crucial to make sure that when the right trade showed up to complete the work, they knew what had to be done, what tools were needed and what materials were required. To omit or incorrectly document a single, vital piece of information could delay the completion of the task and have repercussions on the overall schedule.

What I learned from this experience was how each person counts on the next one, how vital it is to work as a team, to help one another and look out for one another's health and safety, to be efficient and effective because people count on you to do your job right and on time.

This is what it takes to achieve fantastic goals, such as installing and bringing into production a massive oil platform in the middle of the ocean built to withstand 100-foot waves. This experience marked me. It is a vivid memory I carry with me every day as a reminder of the importance of the work our engineers do and the importance of collective success. This is essentially what SNC-Lavalin is all about. We deliver important, iconic projects to our clients and communities here in Ontario and around the world.

I am an engineer by trade, and I am very passionate about our profession. Engineers have been shaping our world and advancing society since the dawn of time. Over time, our profession has grown, diversified in its specializations and delivered great accomplishments. When we consider what we have accomplished, how can we not marvel at the potential ingenuity? We can generate energy from wind, water or the atom that can be used to propel safe and reliable rail and transit systems to ferry people to an airport where they will embark on a plane to fly halfway across the world, thanks to the petroleum produced by an oil platform built to withstand storms of 100-foot waves.

At home or abroad, our employees tackle every project with fierce dedication. We aim to consistently deliver sustainable, cost-effective, engineering solutions that will have a lasting, positive impact for our clients, the environment and our communities. At SNC-Lavalin, this includes mines and smelters to access metals to construct buildings and operate our cell phones.

Take, for example, the Ambatovy mine in Madagascar that we designed and built. One of the largest in the world, it produces 60,000 tons of nickel and 5,600 tons of cobalt a year. During the construction phase, we integrated the local community through our local resource development initiative. Our program raised the employability of more than 6,100 Malagasys by training them in skills, such as brick laying, farm work, painting and welding. Since 1997, more than 16,700 local workers gained through our training and mentoring program real world experience working on some of the largest capital projects in the world.

Another area where we build what matters is in oil and gas, which fuels our homes, transportation, and a whole range of things that are important to our daily lives. For example, we are helping to build Gorgon in Australia, the world's largest natural gas project. It will produce over 50 million tons of LNG a year and has generated 10,000 jobs in Australia. A few days ago, the project celebrated a historic milestone when the first LNG cargo safely departed Barrow Island.

A third area includes infrastructure, buildings, hospitals, bridges and transit systems that connects and meets citizens' needs. An example you are certainly all familiar with is the Highway 407 that plays a key role in residential and commercial growth in the region. It runs some 108 kilometers and includes 197 on/off ramps, 156 bridges and 41 interchanges, all without tollbooths.

We are also the experts in light rail transit across Canada from Vancouver to Calgary and Edmonton. We built 180 kilometers of transit with 130 stations with a weekly ridership of three million people. We are also building, with our partners, the Ottawa Confederation Line and the Eglinton Crosstown LRT project, here in Toronto. Both projects will greatly contribute to these cities' growth. The Confederation Line in Ottawa is the biggest transportation infrastructure project since the building of the regional Rideau Canal, which opened in 1832. Eglinton will be the largest transit expansion in the history of the City of Toronto, which has a potential of transporting 5,400 passengers per hour. It is worth noting that both of these projects are being delivered through the guidance of Infrastructure Ontario's Alternative Financing and Procurement model. This approach has rightfully garnered international recognition for effectively protecting the public interest and successfully delivering iconic projects.

Recently, we were short-listed with our partners for the Finch West LRT project. It is an 11-kilometre light rail transit that will provide rapid transit to two of Toronto's neighbourhoods.

A fourth area where our experts improve people's lives is in power stations and grids that light our lives and heat our homes. Two months ago, we were awarded as part of a joint venture with Aecon, the contract for the execution phase of the Darlington nuclear refurbishment project. Our portion of the project is expected to create approximately 800 jobs here in Ontario. When the reactors are fully refurbished, the Darlington station, which produces 20% of Ontario's electricity, will be able to provide safe, reliable, affordable and CO_2-free energy to the citizens of Ontario for the next thirty years.

We are presently pursuing opportunities around the world in countries, such as China, Romania, and Argentina. Considering that our nuclear business has a strong foothold in Ontario, securing any of these opportunities would have a positive impact on the province's economy.

Canada's nuclear supply chain is supported by more than 180 companies. Many of them are small to medium enterprises who are forerunners in science-based research and development. We are also contracted by the Greater Toronto Airports Authority to design and build a power plant to meet the needs of Pearson International Airport. Today, we operate and maintain it, ensuring the airport continues to operate independently of the local power grid.

In 2012, we were awarded a $2 billion contract to retrofit and modernize the Vale nickel smelter complex in Sudbury with the goal of reducing atmospheric emissions. Once completed, we hope to have slashed sulfur dioxide emissions by 85% and dust and metal emissions by up to 40%. It is the largest, single, environmental investment in Sudbury's history and one of the largest ever in Canada.

As Canada's largest engineering and construction firm, the benefits of our projects are felt beyond our own activities. These are measured both at a macro or national scale and in local communities. This would also be true for future projects in Canada, such as the Energy East Pipeline which could contribute to the creation of natural wealth. To do so, it needs to be designed and executed to respect the strictest environmental standards, as well as in social, acceptable engagement with the First Nations communities.

Today, our in-depth environmental expertise imbedded in all of our sectors ensures projects are developed with the best environmental practices. We look forward to future sustainable projects that will contribute to the collective wealth of Canadian communities.

So where is SNC-Lavalin today? We are a company that has seen significant change and broad improvement over the past three years. We took charge and tackled head on the challenges of the past and remain fully committed to the ethics and compliance culture we have built. It is an integral part of the way that we work every day here in Canada and globally. Just like you do not choose between your children's safety, health, education and future success, we do not make choices between ethics and compliance, health and safety, client satisfaction and profitable operations. We choose to do them all at the same time and always deliver in a world-class manner. Our commitments and concrete actions in ethics and compliance allowed us to enter an administration agreement under the Government of Canada's tougher Integrity Regime. I would like to recognize our employees' efforts and dedication to continuous improvement in ethics and compliance. They deserve the credit for meeting the difficult criteria of the new Integrity Regime.

When I took over as President and CEO, in late 2015, I had a clear mandate to improve our company's performance and results. Recently, we have taken meaningful steps in the new chapter of our five-year strategic plan. We made smart, strategic, organizational changes to reinforce our position among the world's Tier 1 engineering and construction firms. The strategic plan we developed and are implementing has already yielded concrete results. We stabilized our organization, improved our internal cost base, and aligned our businesses with market conditions. We have set clear priorities to guide us as we move forward.

Our first area of focus is creating a streamlined structure. We took meaningful steps to improve our operational efficiency and execution across all of our businesses. The STEP Change Program, which we successfully completed in 2015, has identified a significant number of cost reduction initiatives and increased our competitiveness and agility.

Our second area of focus is on delivery. Our focus is now on better execution and delivering sustainable results. We persist to reinforce our culture of continuous improvement, efficiency and execution to deliver flawlessly on all of our projects, regardless of their size, scope and complexity. The Shriners Hospital for Children in Montréal, the ongoing massive Gorgon Natural Gas project I mentioned earlier, as well as the EMAL megasmelter in Abu Dhabi are but a few examples. I cannot stress enough how proud I am of our employees who, day after day, deliver projects that enhance people's lives and frequently exceed client expectations.

Our third area of focus is growth in our four strategic sectors. Our diversified backlog speaks to our strength in infrastructure, mining and metallurgy, oil and gas and power sectors. Despite the current economic downturn in some markets, our diversification and end-to-end capabilities are enabling us to continue to win projects around the world. Last summer, we were awarded Keys Energy Project in Maryland solidifying our position as a leader in the U.S. power market.

One of our consortia was selected to deliver Montréal's Champlain Bridge Corridor, one of the largest infrastructure projects in North America, and we expect continued growth in the infrastructure sector. Different levels of government have recognized the pressing need to invest in infrastructure to sustain economic growth and meet the need of Canadians from coast-to-coast.

In Africa, our experts in mining and metallurgy are presently designing Ethiopia's first green field potash mining and processing facility. We have also secured five oil and gas contracts with our long-standing client, Sasol, in South Africa. With close to 25% of our global workforce based in the Middle East, this region continues to generate great opportunities. We won four contracts in as many months, including an important $800-million oil and gas project in the Middle East just recently.

Our growth is further reinforced by our capital team. They continue to build our reputation as a partner of choice for large, complex projects and are extending our investment capabilities across our four sectors. Our last area of focus is building a performance-driven culture. We continue moving forward in our goal to improve performance across the board. We have launched a company-wide program to further improve our agility, our project delivery and make us even more client-focused. In turn, we are starting to see enhanced client trust and satisfaction as well as an increase in repeat business, new and long-term projects and a steady, healthy backlog. We expect that our strategic priorities will enable us to achieve clear targets including to deliver an annualized, adjusted E & C EBITDA margin of 7% in 2017.

Recently, I had the pleasure of delivering our year end results which highlighted our good financial performance in 2015. We delivered on our commitments and met our 2015 guidance. We maintained a strong balance sheet with cash and cash equivalents rising to over $1.6 billion, and we maintained a stable and diversified revenue backlog of $12 billion throughout 2015, unsecured an additional $2 billion in the first 60 days of 2016. Today, the diversity in our market segments, the broad offering within each of our sectors, the dedication and depth of our employees' expertise, as well as our restructuring efforts, will lead us to continued growth and the realization of the full potential of our company.

Regardless of the head winds we face, we continue to tackle any challenge with the same energy and dedication that we invest in all of our clients' projects because, at the end of the day, we are a people business. Our assets are our people who live our values and deliver our clients' outstanding projects. We have an important role in delivering sustainable, cost-effective, engineering solutions that will have a lasting, positive impact for our clients, the environment and the communities that we operate within. Everything that we have done and the daily efforts of our employees will ensure that we continue to build what matters in Canada and overseas for the next one hundred years.

Thank you very much.

Q: It is Mike Yorke with the Carpenters Union, and, look, you have got a great room of an incredible industry and the city listening to your words. Thanks for the great history lesson, and I think your company has a great future. It is a great role model for other Canadian companies and other Québécois companies as well, so keep going.

I wanted to tie together a couple of elements there that I saw early on in your slides. You talked about transportation, improving quality of people's lives and also one of your first slides looked at Madagascar, where you reached out to the local community in terms of bringing people in. I guess it was the trades people primarily. I would like to offer just a parallel to that. I would like to just let you know—maybe some of the other folks here as well—that, with respect to the Eglinton Crosstown, some of your other partners that are actually here today. We are also reaching out to youth in the communities. It is called "My Eglinton," and it is an opportunity for young people, young men and women to receive trades training throughout the construction of the Eglinton Crosstown and that project. And I think that is a huge opportunity for the city, for young people. And I would like to com-

mend the partners involved, from IO to the Province of Ontario to the companies involved. So it is just a comment, and thank you very much.

NB: It is a really interesting point, and I think, ultimately, if you really believe in developing a sustainable future then you need to be doing all these things because, ultimately, the days of thirty years ago where you had expats going overseas to do specialist things are finished if you are going to grow. It does not matter whether you are operating in Toronto or in Madagascar, in Québec. Wherever you work, you really need to build a local, sustainable business and, by doing that, it is about engaging with universities. It is about bringing the engineers through, and it is also working with our partners. It was only a couple of days ago when John Beck of Aecon, was in Montréal. We were having a meeting, and we talked about that very thing, about how we can do more to make sure that the community, younger people actually get apprenticeships and get training in order to get them started on the career ladder very much like sort of my story of how I started in the oil and gas industry. So, I totally agree, totally agree.

Q: Yes, Neil, I represent the supply chain that you said some kind words about in the nuclear sector, and I just want to applaud SNC-Lavalin for helping us lead a group of 17 companies to China next week

to help that country manage its energy infrastructure in its battle to ensure that we maintain a good climate. So thank you much for your leadership in all sectors and, in particular, in the nuclear sector. Thank you.

NB: Thank you. That probably needs to go more to Preston than myself. Thanks.

Q: **Hi, I am the CEO of the Ontario Society of Professional Engineers, and, to build on the comment you had or conversation you had with Mr. Beck, there is a big debate going on in the engineering programs across Canada around how to modify and build on the curriculum, so as the CEO of the largest engineering company in Canada, what recommendations would give to the deans of engineering when they are looking at their curriculum? What should they be adding, and what should they be modifying?**

NB: I think that, in terms of the development piece, universities, education, companies of all governments have all got a part to play in all of that, and, if I understood the question right, I just see all of that from a company perspective. I see everything that we do in that arena as basically creating our future because it is a bit like a sports team. The best sports teams generally develop younger people coming through the whole organization.

And I think one of the things that I am certainly proud of when I was in the U.K. was the work that we did on the Determined to Succeed Program in Scotland. We got recognized for the work that we did which was all about really filling a bit of a gap between industry and education around career advice because what we found was that the academics at times were not the best at giving career advice, and business was not the best at some of the academic stuff. So we joined up with a number of schools, even primary schools, to actually explain what the opportunities were, and we were after lots of engineers, but we are after lots of different skill sets. People tend to look at what we do and say, "Well, it is all about engineering" or "It's about wearing a hard hat," and, no, actually if you are an accountant, you can work there. If you want to do marketing, you can do that there. If you want to do graphic design, you can work with us. If you want to do strategy, you can work with us. There is a whole, whole range of things, and I think the more that business and the education establishments—whether it is schools, universities or through the apprenticeship programs and working with the unions—get closer together and figure out how can we make this successful and bring the people through for them and for the business, the better. So we should be doing more of that.

Note of Appreciation by Peter Buzzi, Managing Director & Co-Head, Mergers & Acquisitions, RBC Capital Markets

On behalf of the Empire Club and RBC Capital Markets, I would like to thank Neil for joining us today. We appreciate hearing you speak about the countless, high profile and successful projects built and being built by SNC-Lavalin and your priorities for the future. SNC is one of Canada's most prominent corporate success stories, a true global competitor who has brought the Canadian flag to all corners of the planet. You have clearly taken over the leadership of this company at a critical time in its history and hearing your thoughts on your strategic vision gives us great confidence in the future of this great Canadian-based but truly global company, and we cannot wait to see what successes you will achieve next.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Peter, and thank you again, Neil, for a wonderful presentation. Thank you as well to our generous sponsors today—RBC Capital Markets for being the event sponsor. We would also like to thank the *National Post*, which is our national print media sponsor and Rogers Television, our broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space for live webcasting today's event at the global level.

Follow us, ladies and gentlemen, please, on Twitter at @Empire_Club. You can also follow us on Facebook, LinkedIn and Instagram. We would also like to invite you to join us again in the coming weeks. We have some extraordinary events coming up: On April 4th, in this very room, the President and CEO of Air Canada, Calin Rovinescu, another wonderful businessman from Montréal will be here. Jan Wescott, the President and CEO of Spirits Canada/Association of Canadian Distillers will speak on April 5th about the extraordinary success of the Canadian distillery industry around the world, and, on June 3rd we have the Chief Justice of our Supreme Court of Canada, Beverley McLachlin, who will be talking about some of the very interesting things in store at the Supreme Court of Canada.

Thank you very much, ladies and gentlemen, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

HER EXCELLENCY VIVIAN BERCOVICI CANADIAN AMBASSADOR TO ISRAEL

ISRAEL: THE GLOBAL TECH INNOVATION HUB. WHY CANADIAN BUSINESS SHOULD BE THERE

March 24, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Hilton Hotel in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are joining us through either our webcast or our podcast or on Rogers Television, welcome, to our meeting today.

Now, before our distinguished speaker is introduced, it gives me great pleasure to introduce you to the members of our head table today.

HEAD TABLE:

Distinguished Guest Speaker:

Her Excellency Vivian Bercovici, Canadian Ambassador to Israel

Guests:

Mr. John Campion, Partner, Fasken Martineau; Past President, Empire Club of Canada

Honourable Michael Chan, Minister of Citizenship, Immigration and International Trade

Mr. Noble Chummar, Partner, Cassels Brock and Blackwell LLP; Director, Empire Club of Canada

Ms. Nancy Croitoru, President & CEO, Food & Consumer Products of Canada

Mr. Jim Hinds, Director, Hydro One Limited; Former Chair, Independent Electricity System Operator of Ontario

Mr. Harel Locker, President, Pitkrai Investments; Former Director General of the Prime Minister's Office of Israel

Mr. David Mansell (Onex), Managing Director at Onex

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Ms. Lori Shapiro (Onex), CEO, Schwartz/Reisman Group

Mr. Aala Tannous, CEO, BST Canada; Member, BST Group

Mr. Steve Zipperstein, Chief Legal Officer, BlackBerry Ltd.

I am Gordon McIvor, the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club. Ladies and gentlemen, your head table.

I would also like to acknowledge the presence today of the Israeli Consul General to Toronto, D. J. Schneeweiss, from whom we had the honour of hearing a couple of years ago, so Consul General, welcome. Good to have you with us. And I would be remiss if I did not also recognize a former federal cabinet minister, Chris Alexander who joins us today. Welcome.

Introduction

There is probably no one in this audience today that is unaware of the very long and abiding friendship that exists between Canada and Israel. Our relationship goes back, in fact, to the very beginning, when in 1947, Canada was represented on the United Nations Special Committee on Palestine and was one of the 33 countries that voted in favour of the U.N. Partition Resolution that year, which led to the establishment of the State of Israel. Our country granted de facto recognition to Israel the following year and full de jure recognition in 1949, immediately accepting Israel's first Consul General to Canada. We opened our embassy in Tel Aviv in 1953; although, our first Canadian Ambassador was only appointed to that posting in 1958.

Israel's first prime minister, David Ben-Gurion, made an official visit to Canada in May of 1961, and, since that time, officials from both countries have visited very frequently. We are good friends and allies, to be sure. But we are also trading partners, and the trade mission that our premier is leading there this spring, along with Minister Chan, will seek to grow what has been a politically and culturally significant trade relationship, which in dollar amounts is still largely underleveraged. One of the things that the premier and her delegates will be focused on is some of the remarkable innovations that comes out of this country that is increasingly known as a "start-up nation," investing over two times more than Canada does of its gross domestic product each year in research and development. Whether it is delivery breakthroughs in electric vehicles or doing research into the benefits of marijuana in treating serious medical conditions, Israel is ahead of the curve in R&D and deserves our full attention here in Canada.

Now, to be fair, the Empire Club of Canada has always profiled the relationship between our two nations going back to 1947, and our speakers have often juxtaposed the surprising dichotomy between the old and the new, between tradition and state-of-the-art technology and science. Shortly after the new state began to take its place on the world stage, we welcomed to this podium a famous journalist of her day, Margaret Aitken—maybe some of you remember her—who had just returned from a trip to the new country. Ms. Aitken had one of the most popular columns in the country in the *Toronto Telegraph* newspaper and had a huge following for that time. In a speech entitled "The Birth of a Nation," she captures the mood of 1949 Israel as it began to establish an international identity with the people who were as filled with resolve as they were creativity, a people who knew that this new chapter in human history was of extraordinary consequence and knew that the only option was success. Here is a quote from that memorable speech:

> So now there is peace in Palestine. There is peace, but I believe it will be a long, long time before conditions become settled and peaceful. There are 400,000 Arabs who fled the country, clambering to get back in. There are at least another 400,000 homeless, European Jews waiting with invincible hope and eagerness to get into Palestine. There is a housing shortage in Israel to beat all housing shortages. There is a vast desert to the south to be irrigated and cultivated into fertile land. There are rocky, barren hills in the north to be cleared and cultivated. I tell you there is *so* much to be done in the land of Israel. The mere thought of it leaves one in a state of breathless, wide-eyed wonder.

Now, our guest today is one of the players who is following up in the wake of this wide-eyed wonder to help Canada and Israel optimize their friendship of almost six decades to ensure that our country continues to leverage partnerships, remain a strong ally and friend and identify countless opportunities that can contribute to strengthening both countries. She has been our ambassador in Tel Aviv for just over two years, but, when you read her very impressive résumé, you will conclude that her entire professional path was leading her to this posting. Besides practicing law, advising Ontario's finance minister, assisting the government of Canada with First Nations claim–related negotiations and acting as General Counsel and Corporate Secretary to a major Canadian insurance company, she also developed a great expertise on Israel as far back as 35 years ago when she studied at the Hebrew University in Jerusalem and later wrote a weekly column on Israel and Mid-East issues for the *Toronto Star*—following indeed in the footsteps of Margaret Aitken, who we referenced earlier and who wrote for another famous Toronto newspaper so long ago.

She has been described by those who know her as a force of nature, a high energy and reliable player who gets the job done and makes sure that everyone around her has a lot of fun doing it.

Ladies and gentlemen, please, join me in welcoming the Ambassador Vivian Bercovici to the Empire Club of Canada.

Her Excellency Vivian Bercovici

Thank you, Gordon. It was very touching. It is always interesting to hear someone speak about you. You never quite know what is going to come out, but that was good. Appreciate it.

Good afternoon. It is so great to be here. So many people I have not seen for two years, two-and-a-half years since I left, and I am so pleased to be able and come. And to the people to whom I have not had a chance to talk and whom I do not know, I appreciate you being here as well.

Before I begin my remarks—my prepared remarks—I would like to specially thank Gerry Schwartz and ONEX, who have two representatives here today, for sponsoring this event and supporting the message that I am delivering today. I am not going to repeat the important people, the dignitaries in the room, who have shown up and who Mr. McIvor so graciously acknowledged because we already know that they are here.

I was very privileged when I practiced law in Toronto, and I was here for almost 24 practicing, and this Club was a venue that I frequented often. And it was an amazing opportunity I always thought because you kind of get away from the day-to-day-ness of your job, and you have exposure to just an unbelievable range of figures—political, business, social, thinkers, leaders—fabulous! And to be included in that group is very exciting and makes me very, very proud.

The timing of this talk—March break and the ice storm notwithstanding, which really was not that bad, was it?—really was very deliberate. I am here because as Gordon McIvor mentioned Premier Wynne is going to be coming to Israel in just under two months from now. The dates are May 15–19. She is bringing a very large group with her, over a hundred people. And we thought it was opportune for me to come over and speak to the Canadian business community—and there are many other people I am also meeting with during the week that I am here—to talk about what is going on there and why it matters to Canada.

Premier Wynne, like many of her counterparts, her peers in other provinces, as well as Prime Minister Trudeau, understands that a sophisticated, technological capability in all its facets, innovation and commercial viability, is absolutely critical for economic growth and competitiveness, and that is going to be the focus of her mission. This priority on technological innovation is also something that was addressed in the budget that the federal government brought in two days ago, and there was an undertaking made to develop an innovation agenda establishing Canada as a global force. And we await further details of that very important initiative.

But if you want to make it in global tech and global innovation, you must be in Israel. Why? Well, as Gordon McIvor mentioned—you stole all my thunder—everybody here, I assume, has heard of the *Start-Up Nation,* and, if you have not, go buy it. It is a business book. It was titled "Start-Up Nation," which has kind of crept into sort of vernacular business talk, certainly, in Israel and in America. It was an international best-seller by two gentlemen, Saul Singer and Dan Senor, and Dan Senor actually grew up in Toronto. I have met him since. I did not know him when we were growing up two blocks away from each other. It is a page-turner. It is an amazing book. I think it was published about ten years ago, and what it really attempts to do is kind of struggle to explain how this phenomenon occurred and why because it was not a sort of spontaneous combustion. It was very planned, and they look at the very unique social, political, geographic and other factors that went into the pot that created this great nation, this start-up nation. Plucky little Israel—I hear that a lot from the British people, diplomats, in particular, in Israel. They like to call it "plucky, little Israel," which became renowned in its early decades for cultivating improbably the finest citrus fruit from desert sand. It is a cliché, but it is true, and, you know, if you go now—and many of you I know have been there recently—you go to parts of the desert that twenty years ago were absolutely desolate, and they are verdant. It is really incredible what is going on there.

So first there was a citrus fruit miracle, and, since the early '90s, Israel has become a global tech innovation powerhouse rivaled primarily by the United States and China. This little economic miracle in the Mediterranean, which contends as you all know daily with unimaginable security challenges—we always hear in Israel it is the size of New Jersey, but I am in Canada, so I had to come up with a better comparator. It is the size of Lake Ontario, more or less—8.3 million people, GDP per capita $35,000 USD. And here is a very telling fact when we are looking at tech innovation. In 2014, which is the latest number for which we have statistics, Israel spent 4.1% of its GDP on research and development. Canada spent 1.6%. That means Israel was ranked number two in the world and Canada number 19. That is only part of the story. And, before I give you the next part, I am just going to give you a little context for that because you think, “Okay, because I was thinking where is everybody else?” Number one in the world for R&D investment is South Korea; two is Israel; three is Japan. America is nine, and we are 19.

In terms of the actual dollar spent, just the hard numbers, how much money, the stats kind of align more with what you would expect to hear, so number one shocker is the U.S. Two is China; three is the E.U.; four is Japan; Canada is 13; Israel is 22, so they, obviously, are not putting in the same coin as some of the larger countries. So what does it all mean when you put it together? It means that, if you want to support a robust economy with strong tech fundamentals, you have to invest hard dollars. But more than that it also means that you have to ensure that your investment is tied to commercial viability because Canada is investing a lot more money than Israel is, and we are a big nation of 35 million people, but we are lagging in terms of technological prowess. And we are now in a game of catch-up, a global game of catch-up, and we have got to get in the game. We must assess our strengths and weaknesses very critically and quickly. And we must deploy our considerable resources and talents very strategically. We cannot waste time. Tech power is economic power, period.

In the last few years, I have watched as other countries have focused and accelerated their national tech investment on partnering with and investing in Israeli ventures.

South Korea, China, India, the U.K., Australia—they are all over the place. For several years now, Israeli companies have represented the third largest number of listings on NASDAQ. Virtually all of those listed companies are tech companies—the third largest. Pause and consider *that* for a moment. The number one lister is the United States. Number two is China. Number three is Israel.

So you put all of this information together—and I realize it is kind of 30,000-foot stuff, but nobody can still be sitting here and saying, "So why do we want to be there? Why do we have to be there?" *Everybody* is there. All of the tech giants are there, and, even in the last two or three years, Apple just opened up a huge new R&D centre. The last two years were seeing them pour in. Very significant Silicon Valley entities that have one office in the world but operate globally. The second office is in Tel Aviv or in the area. Working in Israel—as many of you know, it is so small that it is like working in the GTA, so, even if they are not right in Tel Aviv, we say Tel Aviv.

I want to just get a little more granular though for a moment. Gordon touched on some of the incredible tech innovation, but I am going to just focus very briefly on a few sectors. Water. This is a country that really is half desert, and the stuff that has grown there is incredible. Israel is a world leader in the use, reuse, desalination, recycling—you name it—of water, the most precious resource in that country. And they are working very closely now with the state of California and may just save them from their drought.

So we are sitting here in Canada, and it is, like, "Well, who cares? We have so much water; we could never run out of water, and we have fresh water. It is fabulous." Well, it is about how you *use* the water. So, for example, I had a group from Manitoba. They were business people, but they were very, very engaged in farming, and they are interested in taking Israeli water tech, combined with satellite and heat imagining tech and applying it in some of the semi-arid areas of Manitoba. Half-way up the province, you do not have great soil. You do not have a lot of water. It is certainly not reliable, and you have a short growing season, obviously, and not a fabulous amount of sunlight. And you can take that water and other tech, and you can apply it to that not-terribly-productive land, and, in one year, you can probably go from a yield of one per acre to five per acre. So it is about how you *use* your water. It is not that you may have truckloads of it five hundred miles away.

Agritech. The Israeli agricultural industry is something you could go on and on about for days, but I will not. I am going to share one little nugget with you. We are privileged to have here today with us representatives from an Israeli agritech company, NRgene, and the University of Saskatchewan. I believe they are in the room as well. These two business partners—it is the University of Saskatchewan Global Institute for Food Security. Now, it may not sound so sizzling but it is. They cracked the genetic code for the wheat genome. Okay? It gets better. Wheat is the most widely used crop product in manufacturing food in the world. This project is very complex. There are—I have got to read this—164,000 to 334,000 genes in wheat, which is way more than there is in any one of you. We have 20,000–25,000. So decoding the wheat genome was very, very challenging; it was expected to take ten years, and it was done in less than a month.

So what? What that means is that scientists will be able to adapt seed and crop production in a wider range of environmental circumstances, and this will revolutionize food production globally. This *will* have an incredible impact on global food security which is one of the biggest geopolitical challenges we all face.

There are tremendous strides being made in food packaging. I know we have a number of people from the food industry here—packaged goods industry. One recent development I was reading about where you can take perishable goods, and the food is coated with a special set of molecules—I have to read this; this is science: "[…] they create an electrical charge neutralizing bacteria, and this packaging can keep the food germ-free for days or weeks without refrigeration or preservatives." It goes on and on and on.

Medical and health treatment. There was just an article in the press a few weeks ago about some new bandage that basically you put it on and no longer is there any need for suturing or stitching wounds. There is another ultrasound technology that was just developed that allows surgeons to treat tumors and cysts without making an incision, and there was a video made of an Israeli neurosurgeon treating a professional violinist who had some brain tumors. And during this operation and while the video was being made, the violinist was playing the violin while the tumors were being removed. Incredible stuff.

Cyber and space. We talk about tech innovation as if it is some kind of silo industry. It is not. Every tech innovation is applied to a different sector, but cyber security and space are two areas of application that most experts I have spoken to say really are the future—that the economy will be controlled in cyber and in space. The integrity of data which is important to all the financial services people here and others is going to be controlled in cyber and space. And that is really where the real economic competitiveness is going to play out. Israel is the second largest exporter in the world of cyber products and services. There are more than 200 companies producing and developing. It is also a leader in fintech, which many of you I am sure are aware of. But we have very little fintech, Israeli fintech, being applied in our economy. I had an interesting conversation two years ago with an executive from one of the big banks who said to me, "You know, Viv, we spend billions of dollars a year, and we keep moving towards Band-Aid solutions and trying to fortify our systems, and we have not gone to Israel just because we sort of do not know where to start. It is much easier for us to go to Palo Alto and Boston." But I think that what they are starting to realize—because I can tell by the inquiries that we are receiving at the embassy and the outreach that I am doing—is that they cannot not go to Israel any longer. They really have to go there because that is where the next generation solutions are being developed.

There is a wonderful initiative that is now going on in the space, cyber security world. It is a joint venture between Israel's Technion University—which is in Haifa, a northern city; and it is an internationally renowned science university—and the University of Waterloo. And I will keep this as simple as I can. But it is described as *the* game changer. And the project that Waterloo and Technion are working on will allow secure communications in space, and whoever can perfect this quantum physics puzzle first is going to have tremendous control over the global economy. This is what they refer to as "the other race in space." There are very strong teams competing to get to the finish line. There are the Israel-Canada team, the U.S.A., China, Japan, and Europe.

Because of its unceasing security challenges, Israel has a very effective military and defense capability and industry. No surprise. And it is also a major player in the global market for defense and aerospace products, which tend to comingle. And space expertise is a hugely important catalyst stimulator of the cyber and tech innovation market—and military. Space prowess is not just about getting to Mars and the marquee events. Space is the new frontier for excellence and supremacy in all endeavors. And Israel, I have learned in the last little while, is one of the seven space powers in the world. We are not. The seven are the U.S., E.U., Russia, China, Japan, India, and Israel. And in order to be a space power you have to have three capabilities: You have to be able to build a satellite, communicate with a satellite, and launch a satellite; and we can do the first two but not the third.

Israel, of course, had to perfect this capability because it cannot have anyone else launch their military and other top secret satellites. They do have other countries launch some of their civilian-use satellites. So they had to develop this capability to launch a satellite in space, but it was not that simple because satellites, because of physics and gravity and all that stuff, are launched going east. But Israel cannot launch going east because the Arab countries will not allow their satellites to go over, so they had to figure out how to launch west. And they did. The only country in the world launching satellites west into space is Israel.

Now, I love these anecdotal stories. I think they are interesting. I think they tell you a lot about a place, but there is a lot more to this than anecdote. I recently had the privilege of being in a room where Former Secretary of State George Shultz was speaking, and he was amazing.

Ninety-four-years of age—just strides up to the podium, no notes and spoke absolutely brilliantly for twenty minutes. And he shared an interesting observation with the room, including the Prime Minister of Israel who was present. And his recollection was of some very challenging meetings that he had in the late '80s when he was Secretary of State with the then Minister of Finance of Israel, Benjamin Netanyahu. And together they understood that Israel required some very aggressive economic reform in order to deal with triple-digit, hyper-inflation and a rather moribund, overly collectivist, state-controlled economy. Things were really bad and Secretary Schultz credited Prime Minister Netanyahu's vision and resolve, then and now, in large measure with facilitating the tech miracle that became the start-up nation. As he recalled, it did not happen by accident. It was planned, encouraged with economic vision, fortitude and incentives, and here we are today.

I have been asked many times in my meetings with people on Bay Street this week, "How did they do it? What mistakes did they make?" There is a template. Israel's much smaller, and there are all kinds of differences, but there are many similarities; and they did a good job of executing the plan.

There is tremendous opportunity for Canada in Israel and for Israel in Canada, but that is what I talk about most of the time when I am over there. Add to just the fact that the opportunity exists another very important fact that many people are not aware of, and that is the Government of Israel is working very openly to diversify its trade risk exposure, if I can put it that way. About two years ago, 40% of Israel's trade was with the European Union, and there are concerns for many reasons that I expect most of you can surmise that may be a vulnerability that they do not want to tempt. So they are looking very, very aggressively to diversify, and, to date, the Far East has really come and picked up the slack, and there is significant, significant trade and economic movement to the Far East. We should be in the mix, and we are not. We have pockets of investment. We have pockets of activity. Some of them are at the head table today, but we do not have near the representation and involvement that a country of our size and sophistication should. And we need it. We need a tech innovation sector that is thriving and strong.

I am often asked, "What's it like to live and work there?" And it is great. The weather is way better than here. But the best answer I have is, again, a bit of a metaphor, and it is a story. What I find is that, for Israelis, it is really easy for them to go to America. They understand America. Everybody has family there. There are very strong ties between the two countries, and they just gravitate there naturally. They do not know as much about Canada. They know we are nice, polite. It is cold, and some people speak French, but they really do not know a lot about Canada nor do most people in Canada know a lot about Israel. And there is tremendous anxiety about what is it like there. Is it dangerous? I get asked these questions all the time.

In terms of just the culture—and this element of the culture applies to all aspects of living and working there, and it is what I call the Krav Maga metaphor. So a few months ago, I had the opportunity to go to this incredible new training facility where all Israeli police officers are trained, and they wanted me to come and see what they do. It is a beautiful facility. Apparently, the boys from Quantico had been up a few months earlier—the FBI—and their jaws dropped. They were, like, "We do not have anything." It is an incredible, real state-of-the-art facility. And it was a really interesting day, and they said, "Here is how we deal with terrorists. Here is how we deal"—these are police. These are not military—"with terrorists. Here is how we deal with drug dealers and all kinds of"—and they have this little campus where they have live demonstrations about how they manage these issues. They also took me into the Krav Maga room—and Krav Maga, for those of you who do not know, is a form of martial arts. It was developed in Israel, and all Israeli soldiers and all Israeli police officers are trained extensively in Krav Maga. It was fascinating. I have these six teams of instructors showing me various Krav Maga moves. At the end, I said to the leader, "There's a really long history of martial arts in the world. Why did you feel you had to reinvent martial arts?" And he said, "You know, we don't waste time on any of the fancy show moves. We don't do the high kicks and the jumps. We just get the job done." And that is what Israel is like: They get the job done. Now, to Canadians going over, sometimes it may seem a little brusque and rough. They are very nice, but they just do not waste time. They do love our manners, though.

Israel loves Canada. I hear this all the time, and they want us there. We are perceived to be friendly to Israel, polite and blessed with everything they are not—peace, security, lots and lots of natural resources and land.

Decades ago, when Israel was struggling with frequent and intense wars—not that it is a picnic all the time now, but it is different—and a very challenged agricultural-based economy, former Prime Minister Golda Meir was reported to have said, "Let me tell you something that we Israelis have against Moses: He took us 40 years through the desert in order to bring us to the one spot in the Middle East that has no oil." There may be no oil, but, recently huge offshore gas deposits were discovered which also present a tremendous economic opportunity and a tremendous opportunity for Canada because Israel needs help with extraction and distribution, and they are looking for help. Israel looks abroad frequently for international expertise to bring the best value to the many ambitious infrastructure projects, which would make your mouth water if you saw their roads and bridges, their many ambitious infrastructure projects being undertaken.

And just last year, there were two big port contracts, were there not? I am looking to Harel because he is an encyclopedia for all of this. Why are we not building the ports? These are really, really significant infrastructure projects. Commercial relations with Israel—so the trade and economic proposition with Israel is, like so many other aspects of that country, anomalous. It really is outside the box. We will never sell a billion TV sets there. We will never have a balanced trade ledger with Israel. That is just not the play. Commercial relations with Israel are all about leveraging Israeli intellectual property and capital with assets and resources in our economy to enhance our productivity and spur our growth. That is the opportunity, and we have to start to understand that here because most other countries are way ahead of us. Western Europe, China, South Korea, Japan and the U.S., have all figured it out, and they are engaged there in a big way.

Are politics an issue? You bet. But that is not what I am here to talk about today. But the hard objective numbers tell a very good, consistent and always improving story, and I just want to finish with this: Many of you who probably have been to Israel over the decades will remember that, in the '70s, you could drink Coke. You went to the West Bank, you got Pepsi, right? Ne'er the twain shall meet. You could not get Coke and Pepsi in the same place. Those days are gone. So that is a very sort of thinly veiled comment. The old political concerns and worries really are not what they used to be. The economies of the Middle East are pragmatic, and there is tremendous opportunity for Canadian companies to get into Israel and really give our economy the tech kick start it needs.

Thank you very much.

Questions & Answers

Q: Ambassador, could you describe briefly what the objective parameters of the present day Israeli economy are?

VB: I could, but Harel already said that he wants to, and I am not going to mess with him. I could describe them. I am going to actually defer to Harel. Harel Locker—if you did not catch it when he was introduced—is a private investment advisor now, but he worked for four years until last August as the Chief Director General of the Prime Minister's office of Israel, and his primary area of expertise was to advise on economic matters. So, Harel, would you mind? You can come up.

HL: Thank you very much. It is a pleasure to be here. First, I have to thank Vivian for the great effort to promote the relationship between the two countries. Prime Minister Netanyahu really appreciates you, and we all love you in Israel. Thank you very much.

You know, when Gordon mentioned the Queen of Canada I was sure he was speaking of Vivian, but somebody told me I am mistaken. For us, you are the Queen of Canada. Anyway, you know, I was the Chief of Economic Staff of Prime Minister Netanyahu for four years. I came from the private sector. I am a lawyer, and I practice law in Wall Street as well, and the prime minister appointed me from the private sector to the government. So, for four years, I was struggling with all of these issues of economy on behalf of the prime minister, and I gave many speeches around the world to promote the Israeli economy—especially in the east. And I think Vivian just described tremendously—and it could not be better—our economy. But I am subjective. I am not objective, so, you know, this is an excellent question because people might think it is a nice economy, a nice country, but there is a political issue and vulnerability, and it is not stable.

So I want to share with you some of the objective rankings of Israel, and, as you will see, these are objective rankings of foreign agencies, which give us the best rates and rankings for a stable economy and a very robust economy, and nothing else matters. I mean all the politics, everything—nothing matters because when Moody's, the ranking agency, ranks Israel with A1, and Fitch, with A, and S&P was A+, they know what they are doing. So it is an objective ranking. It is not what I am saying as an Israeli, as Chief of Economics Staff for four years. It is not what your Ambassador is saying. These are objective rankings.

Inflation is one of the lowest in the western world. Public debt—Vivian mentioned this program or this plan of Mr. Netanyahu when he was the Treasury Minister. Today, we have a debt versus GDP ratio that is one of the lowest in the world, in the west. Unemployment, the lowest in the west. Growth: Even though there was a huge crisis in the west from 2008, we continue to grow, even in 2009, with figures of 3%, 4%, 5%, so we achieved the number one growth in the west in this economic turmoil, the worst crisis in the last eight years. Foreign investments: You should not believe me. You should believe your competitors: Chinese, Americans, Germans, Russians, Japanese, Indians. All of them invest in Israel. It is the highest foreign investment per capita in the west. You have to remember, we are a small country of eight million people, but $11 billion last year was the foreign investment, direct investment in Israel. Now, all of these competitors of Canada know what they are doing. The Chinese know what they are doing. The Americans, for sure, know what they are doing.

I have to correct one thing, Vivian, because we are number one in R&D expenditure per capita. This is for 2014, but, for 2015, we are number one.

VB: I stand corrected.

HL: You see that, with these objective parameters, this is a very stable economy, so nobody has to fear about all of the political issues, about vulnerability. We went through a crisis, and nothing affected our economy. Thank you very much.

Q: Do you see the BDS movement as having any impact, and what can or should be done to counter this movement?

VB: Good question. Do I see the BDS movement as having an impact on the economy? And the answer is a little complicated, but all answers are to tough questions. BDS, for those of you who may not be aware, is the acronym for Boycott, Divestment, Sanctions Movement. It is a movement that actually has its proud origins in Toronto as does Israel Apartheid Week on campuses. And the goal of the BDS movement—it is a very amorphous, grassroots kind of thing, but it is global in scope, and the goal, the stated goal of the movement is various forms of boycott, divestment and sanction in various ways and in various places regarding Israel. And the intention is to send the message that—this is what they say, not me—the occupation and circumstances associated with the occupation must be stopped, and that the best way to do this is to cause Israel to feel the economic pain. BDS's last big push internationally was with respect to South Africa when apartheid was there. And some BDS activists have said Israel—and they only work on or focus on one country at a time—"You know, Israel is the perfect laboratory because it's such a nice, little, tight country, very trade-dependent so you can immediately see the results, right?" If you push the levers you are going to get kind of instant action.

In Israel, it is such a moment-to-moment kind of place. There is a lot of long-range planning, obviously, going on, but it is also a very challenged environment. And I have seen them—because I have been very focused on BDS for many, many years—as a problem for a long, long time, and, up until probably last year, most Israeli political leaders would have said, "BDS is a problem, but it's not a strategic threat for the country." And I think that viewpoint is starting to change and that some of the more mainstream political thinking is looking at BDS differently and saying, "This is getting close to being a strategic threat, if it isn't already."

In terms of the hard economic impact, measurable impact, there really has not been any, but that does not mean there will not be any. And I have to say that it is a concerning development, but even more concerning than BDS is what I think lies behind it: You cannot have BDS without the delegitimization of Israel. And that is something that has really gained traction globally over the last few years, last couple of decades in particular, and it is an idea. The idea is that this country is an egregious abuser of international norms, human rights, civilized society, and, as such, they should be singled out for that and often are. But what that idea does is it starts to set Israel apart, and it sets up an environment in which it is not just acceptable to then use a tactic like BDS but in which there is something wrong if you do not. There is something wrong with you and immoral about you if you choose *not* to support BDS because how could you not be outraged by what this country represents?

You cannot have BDS without delegitimization. It was about three, four weeks ago when the motion was passed in our House by an overwhelming majority. The numbers were something like 230 to 50. I knew them all a few weeks ago because I did a lot of media on it, and it was a very, very strongly worded motion in the House. Now, it does not have teeth; it is not law, but it is a statement of intent and moral clarity. The motion—I do not have the words precisely in my head—was something like, "We reject the BDS Movement. We the House of Commons of Canada reject the BDS Movement, and we condemn any organization or individual that supports it." Now, I am sure you are all aware of the controversy that ensued, but that position, with respect to BDS and delegitimization, was very, very, very much appreciated in Israel across the political spectrum.

Q: Has the new Canadian government told you to change anything that you were doing in the past?

VB: No. And, if they had, no—you have got to keep a sense of humour. No, I continue to do my job as I have always done, and there is, obviously, tremendous interest in Israel. Whenever the government in a country with which they have such strong relations changes, they are very pleased to see the continued support. They are pleased to see the continued comments from Ottawa, from Prime Minister Trudeau, very unequivocally stating that Canada is a friend of Israel and Canada supports Israel. I have not changed the way I do my job nor have I been asked to at all. But thanks for the question._

Note of Appreciation by John Campion, Past President of the Empire Club of Canada

Ambassador, as one first approaches Jerusalem in the heart of Israel, one cannot help but feel the weight and the glory of the ages and feel the heartbeat of the people of the book. Jerusalem means the centre of religious experience for the sons and daughters of Abraham—Jewish, Christian and Islamic alike. You have been chosen to represent Canada in Israel, a country of such tiny size, huge significance and contrasts. You honour us by your presence. We have received your message of business, enterprise and technology with interest and opportunity. As a personal matter, I asked the Ambassador to be a contact for a young group of high school students visiting Israel at a time of danger. She not only was their guardian angel who took care of them—I must admit it is the first time you have probably been put into the category of a semi-deity, but, in your own mind, I am sure it is there—but she had them come to the embassy as part of their trip. Friendship and compassion are powerful factors that embody your work.

Thank you for the personal care and, thank you, for your energy, experience and usual passion that you brought to our podium and your important speech today. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you so much, John, and, thank you, as well to our generous sponsor today, Onex, represented by David Mansell. Nice to have you with us, David. I would also like to thank the *National Post* as our primary print media sponsor and Rogers Television, our television broadcaster. We also want to thank Mediaevents.ca, which is Canada's online event space, for live webcasting today's event, which by the way will be seen by up to a million people around the world. Follow us on Twitter at @Empire_Club, and, please, visit us online as well at Facebook, LinkedIn and Instagram.

Please, join us again. We have some extraordinary speakers coming up in the following weeks. We hope we will see you out for some of these events. We have Calin Rovinescu, President and CEO of Air Canada, stopping by in a couple of weeks on April 4th at the Arcadian Court. There will be an interesting lunch on April the 5th: Jan Westcott, the President and CEO of Spirits Canada/Association of Canadian Distillers, will be here telling us the story of how Canada got to have the top whiskey in the world. In June, we have the Chief Justice Beverley McLachlin stopping by to talk to us about some of the important changes taking place at the Supreme Court of Canada.

Ladies and gentlemen, thank you very much, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

CALIN ROVINESCU
PRESIDENT AND CEO, AIR CANADA:

April 4, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen, from the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are joining us either through our webcast, our podcast or on Rogers Television, welcome, to our meeting today.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table to you.

HEAD TABLE:

Distinguished Guest Speaker:

Calin Rovinescu, President and CEO, Air Canada

Guests:

Mr. Bill Braithwaite, Chairman, Stikeman Elliot LLP

Mr. Barry Campbell, Founder and CEO, Campbell Strategies

Ms. Catherine Charlton, Past President and First Female President, Empire Club of Canada

Mr. Bob Dorrance, Chairman, CEO & President, TD Securities

Mr. Rupert Duchesne, Group Chief Executive, AIMIA

Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Mr. Colin Lynch, Vice President, Strategy and Growth - Executive Office, Greystone Managed Investments; Director, Empire Club of Canada
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Mr. Anthony Melman, President and CEO, Acasta Capital_

And my name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

We are also very pleased to have with us today a group of students who are joining us from the Aviation Program at the University of Waterloo. Welcome.

Introduction

There are few companies in Canada that are truly iconic and have played a fundamental role in shaping our country's history, culture, recreational pastimes and even basic life choices. There are even fewer that are as well known around the world as they are here at home, but when the federal government created Trans-Canada Air Lines in 1936 and began operating transcontinental flight routes two years later, they knew that this was going to be game changer in the way that Canadians lived, worked and vacationed. This company would unite the second largest land mass, second largest nation on the planet in a way that had not been done since the completion of the first national railway back in 1885.

At the Empire Club, which has always been a reflection of this country's history and, even at times, its mood, it was, therefore, not surprising that one of the most significant speeches of 1938 was given its title quite simply by the name of its new company, Trans-Canada Air Lines. The speaker was the Vice President of the new company, Philip G. Johnson, who reminded the audience that flight was no longer just a military occupation as it had been during the Great War and that, in fact, the company's first and most important mission was the delivery of mail. Passenger flight, too, would now become increasingly important. Here is a quote from that memorable speech delivered at this very podium eighty years ago.

> The task of putting a transcontinental airline across Canada is really a three-party proposition: First of all, the company that is charged with the operation and the organization of the actual flying. Secondly, the government that is represented by the Post Office Department and the Department of Transport. The Post Office furnishes our payload and the Department of Transport, the ground facilities necessary to carry out this work. The third party, of course, is the public. No matter how well the first two partners cooperate or how well we do our job, the company cannot succeed, cannot be a success or the

> service a success unless the public, in fact, uses it—and uses it intelligently.
>
> By "intelligent use" of the air service for your mail, for your express, and for your passengers, I mean to use it when its serves as economic purpose, not just because of a fad that passes from day to day. And I am sure that our air service will serve an economic need in Canada and that, through such use, Trans-Canada Air Lines, which is your company, will succeed.

Now, of course, Mr. Johnson was entirely correct in noting that this was far more than a fad, and we all know the milestones the company had which followed this momentous date: The rebranding to the new name of Air Canada in 1965, the complex privatization that occurred in 1988, the acquisition of Canadian Airlines in 2000, and the subsequent growth marked by a few financial hiccups and even one heavily mediatized bankruptcy in 2003 which followed.

Today, Air Canada belongs to that very select club of international carriers that flies to all six, inhabited continents and manages to do so with one of the most sterling safety and service records of any airline in the world. This week, we welcome the man who has been at the helm of this very successful, international company for several years, Mr. Calin Rovinescu. Last Friday, in fact, some of you will know that he celebrated his seventh year in that position.

He originally joined the company back in 2000 after a highly successful career as a managing partner at the law firm, Stikeman Elliott, in Montréal, where he practiced law for over twenty years.

While he left the company for a few years to co-found and manage Genuity Capital Markets, an independent investment bank, his heart was obviously still flying on the wings of Air Canada. And when he rejoined the company, it was as though he had never left. He had already led the restructuring of the company in 2003–2004, and, now, he wanted to take the airline to the next level—going far beyond financial stability and growing into what industry associations have named "the best international airline in North American and, indeed, one of Canada's best-managed companies." Perhaps, his leadership ability comes from the very impressive list of different operational areas that Mr. Rovinescu has managed at the airline: Legal, information and technology, e-commerce, human resources, labour, government affairs, communications, marketing, even corporate secretary.

If anyone in Canada knows more about the aviation and passenger airline business than our guest today, we at the Empire Club have not yet discovered this person. In fact, our 1938 speaker who addressed us on the future importance of Air Canada's predecessor company would have called him a "Renaissance Man," an individual who has all of the multiple and complex skill sets in place to be able to invite all Canadians and peoples from around the world to "Come fly with me." Ladies and gentlemen, it is our great pleasure to welcome to the podium today, the President and CEO of Air Canada, Mr. Calin Rovinescu.

Calin Rovinescu

Thank you very much, Gordon. That was very, very nice and generous on your part to tell a little bit of our history and a little bit of the richness of what this company has meant to so many people for so many years. And, in fact, it is actually a great segue. You are a great setup man, so, if you are ever looking for a second career, there is one waiting for you.

In September 2010, just about five and a half years ago—and, again, as I said, this is a great segue from what Gordon just mentioned—as we were coming out of the near-death experiences of 2008 and 2009, I was invited to speak at the Banff Global Business Forum, with which some of you may be familiar. And rather than talk about the past challenges—because I thought we were getting pretty tired about hearing about the challenges and the word "challenge" in the same breath as "airlines"—I selected as my topic "Becoming a Global Champion in Today's Market." Air Canada had just come off of the two worst years in commercial aviation. Jet fuel had spiked to over $140 a barrel and was hovering then well over $100 a barrel. We had come off of a net loss of a billion dollars. Our pension deficit exceeded $4 billion, and our stock price was at less than $1.00. So I called this global champion goal "aspirational" and was "confident" we could achieve it. But I promised our team that we would not spike the ball on the 10-yard line. Others had more descriptive expressions for our global champion ambition, such as "delusional." Some, in fact, wondered what we were smoking and whether our plight qualified us for medicinal marijuana. And you will remember, of course, those were the very early days of the discussion around legalizing marijuana.

By 2010, Canadian business has already lost many leading global icons from diverse fields, such as telecommunications, manufacturing, retail, mining, energy, steel, breweries, high tech, and there had been much debate about the so-called "hollowing out" of Canada. So I thought then that I would take the theme of global leadership and build it into somewhat of an internal, Air Canada challenge and, indeed, mantra for our Board, our senior executives, our managers, our line employees to understand how successful champions in other industries, like Amazon, like Apple, Google, Samsung, Boeing were able to achieve what they had achieved. Why could not Air Canada, a then 75-year-old company, be capable of really thinking big, despite the challenges of 2008 and 2009? And why could we not make the case for being a global champion coming out of the very deep recession that we had just been in? Were we relevant enough to be a global champion? Were we global enough? What is a 'global champion' anyway? What role does a welcoming, regulatory, legislative, and taxation regime play? How much does sustainable revenue growth and bottom line profitability matter? How important is it to be capable of competing with the best in the world in terms of cost, product, service and network?

Frankly, with the history and brand strength of Air Canada, simply having everyone in our organization asking themselves these very basic questions was already half the battle; moreover, we learned two very valuable lessons: That one cannot be shy when all is bleakest. We had to take risks and to move quickly to see opportunities arising from the ashes of 2008 and 2009. Secondly, that one must play to one's strengths rather than see one's legacy as a weakness. We were not a 10-year-old, low-cost carrier with a clean sheet of paper nor could we pretend to be one. We were 75 years old and one of the world's leading international carriers with very many legacy strengths.

So how have we fared on our journey to be a global champion five and a half years into it? Here is our report card. Now, frankly, I must confess that whether or not we actually were ever to be recognized as a so-called global champion is almost irrelevant. It was the very aspiration and ethos of continuous improvement that mattered to me; it was the setting of very basic priorities that would put us back on the track towards that global champion moniker. Global champions should sustain profitable growth.

Six years ago, our revenues were $10 billion, and, in 2015, our annual revenues were about $14 billion, a 40% top line growth for a legacy company now nearly 80 years old. Our earnings or EBITDAR was $2.5 billion last year whereas it was $679 million in 2009, an increase of 270%. We now have a pension solvency surplus of $1.3 billion versus a deficit that was $2.7 billion at the end of '09. And our share price is now up more than 800% over 2009. We just completed our most profitable year ever with Adjusted Net Income of $1.2 billion.

Global champions should create meaningful employment globally. We now employ over 28,000 people making us one of the largest private sector employers in the country. Our people work in 29 countries around the world on all continents, as you just heard.

Global champions should have a powerful and well-understood brand. On a busy day, we can fly more than 140,000 people or a total of 41 million people a year to 200 destinations worldwide. We are now among the top 15 or 20 largest carriers in the world out of about a 1000. More importantly, however, we have grown to this size despite Canada's modest and dispersed population base.

The centre of our focus is right here in Toronto, which has emerged as our primary global hub. The stakes for Toronto are higher than ever because the competitive field is broader in Canada alone. It is global, and the prize is much bigger than for just Air Canada and our stakeholders.

Global champions are significant players in terms of the economy. They drive economic growth. We spent roughly $9.5 billion on products and services in 2015, approximately half of that in Canada. Last year, we booked 475,000 hotel rooms for our employees. In Ontario alone, we have 12,000 active employees plus 2,200 subsidiaries and partners, Air Canada Rouge, Air Canada Vacations, Jazz and Sky Regional, all of whom in turn spin off incremental economic activity.

And an interesting 2013 study by PricewaterhouseCoopers in the U.K. found that there was a very direct correlation between airline growth and GDP growth, inbound tourism, trade, and foreign direct investments. This is why around the world countries are investing heavily in airport infrastructure. They want to create hubs to draw in global traffic flows, so travelers can converge and connect and possibly stay to visit or even set up a business. It is a vicious circle. More flights mean more customers which in turn support more flights and so on,all the while generating incremental economic activity.

Holland is a great case study for us. It is a country of about 17 million people—about half of Canada—and it had 58.5 million passengers travel through its main Amsterdam Airport Schiphol last year. From Schiphol, travelers can fly directly to 322 destinations, almost double Pearson's destinations, and we are working hard and fast to spread our wings to take advantage of this incredible opportunity.

As a country, we are playing catch-up, but there is still a lot of opportunity for Canadian airports, as the global industry is projected to grow steadily over the next twenty years. International Air Transport Association (IATA) projects that, with an expected 3.5%–3.8% average annual growth and demand, passenger numbers will reach 7 billion by 2034. This is exactly twice the number flew in 2015.

Global champions should have an uber-engaged workforce—and I am not referring to the ride-sharing types here. Here, too, we have seen a major change at Air Canada. We now have unprecedented ten-year deals, ten-year labour agreements with most of our unions. We have been named one of Canada's Top 100 Employers for the third year in a row, and our employees voted us as one of the winners of the Glassdoor 2016 Employees' Choice Award, as one of the best places to work in Canada. And this would, frankly, have been unimaginable six or seven years ago.

Global champions find unique ways to exploit their unique selling points, their USPs, and cutting-edge product and services. Since 2010, we have been very determined to reengage our customers in a meaningful way and challenge the organization to see if we have what it takes to not only excel once in a while when our backs are against the wall but to consistently excel from year to year.

We have got the benefit of great geography: Vancouver is a natural gateway to the Pacific, and Toronto, of course, benefits from being located near the centre of North

America as a superb pivot point for customers transiting between domestic, trans-border and international flights. We invested heavily in new equipment with a $9 billion capital expenditure program, mostly for new generation aircraft. We will have one of the youngest fleets in the sky, and we intend to press this advantage as we keep taking delivery of the 37 Boeing 787 Dreamliner aircraft we have on order. Complimenting these will be our new narrow body aircraft, including the Boeing 737 MAX starting in 2017 and the Bombardier CSeries in 2019.

While our other unique selling points are our network and geographic competitive advantage, we also offer service on the only 4-star network international carrier in North America. Our next generation cabin features new lie-flat suites in international business class and the first dedicated, premium economy cabin in North America.

Recently, we completed the installation of Wi-Fi on all of our North American flights and announced plans to begin installing satellite Wi-Fi on our wide-body, international fleet later this year. We also plan to spend $300 million, part of that $9 billion, in 2016 to refurbish our existing Boeing 777s and bring them up to the new standard.

Our efforts since 2010 were recognized through a series of industry awards, including Best Airline in North America, as you just heard, for five straight years based on a world-wide survey conducted by the independent research firm Skytrax.

Global champions embrace risk, seize new opportunities, innovate and expand. In our case, we took a sizable risk to launch Air Canada Rouge as a leisure brand in the face of Air Canada's premium brand and conventional offerings. But Rouge has been an amazing success, not only contributing significantly to our profitability, but also enabling us to maintain or expand our leisure routes, enter new markets to sun destinations, to Europe and Asia, and also create a targeted opportunity for our workforce to expand and seize new opportunities. It also gives us amazing flexibility to deploy aircraft to different markets in winter and summer at a much lower cost throughout the whole year.

Global champions foster a culture of success. They feel like and behave like winners, being nimble and having both flexibility and a results orientation as part of their DNA. And this is what I consider, perhaps, our greatest success since 2010—changing the very culture at Air Canada as a corporate culture sets the tone for everything that you do. In our business, a very complex service business, this entails giving employees more discretion and empowering them to make decisions, to create a culture of entrepreneurship and performance orientation—not easy for a company such as ours which has historically been rule-bound and process-driven. Basically, we needed to become a big company behaving more like a small company, stealing some very basic entrepreneurial drivers.

Global champions must have a truly global mindset. Most of our growth over the last five years has been international. We have sought to shake off parochialism and have our company adopt that needed global mindset. We have increased our capacity outside Canada by more than 47%. Last year, and, again, this year, fully 90% of our growth will be in international markets. We are investing in long-range aircraft for the global arena. We are competing with all global players. We are hiring based on global skills and ambitions. We are not willing to compromise our future based on the prejudices and restrictions of the past. Since 2009, we have launched non-stop service from Toronto to more than 30 destinations. While this has included new Canadian city pairs and some U.S. and sun destinations, the most exciting have been our international routes. Among these are non-stop flights from Toronto to Athens, Amsterdam, Barcelona, Copenhagen, Delhi, Dubai, Edinburgh, Tokyo Haneda, Istanbul, Manchester, Rio de Janeiro and Venice. This summer, new routes will include Glasgow, Budapest, Warsaw and Prague. We are not afraid to have our Toronto hub compete with the likes of rival hubs, for example, in New York or Chicago, so I have been working very hard with the GTA to dramatically improve the connection process to better compete for international connecting traffic—that is traffic flying from one country to another country by connecting in Canada. And we are seeing meaningful growth in this type of business at all of our hubs.

Let me give you an example. For someone in Boston traveling to Asia, there is no non-stop service. They will have to connect somewhere. Due to the curvature of the earth and Toronto's location, Air Canada can offer very competitive, if not the fastest elapsed travel times via Toronto. Even more, connecting through Toronto is easy compared to going through a major U.S. hub, especially, for inbound travel because customers do not need to get their bags for customs inspection until they reach their final destination.

The Canadian market is, of course, limited in size and is already quite mature. There is, therefore, huge opportunity in the international connecting traffic that flies to and from U.S. airports where Canada has open skies. At present, Air Canada has less than a 1% share of such traffic, other than traffic flying on U.S. carriers. If we could boost this to even 1.5% that would translate into an additional 1.68 million passengers or approximately $600 million a year.

Global champions support other key industries for a win/win outcome, if possible. We are proud to be the first major North American carrier to order Bombardier's CSeries. We believe it sends an important signal to the market that should give other airlines the confidence to purchase this extremely efficient, next-generation aircraft. Moreover, we also think it is extremely important to support the Canadian aerospace industry and invest in Canadian jobs and technology, provided that both Air Canada and the industry can stand to gain. At list prices, our order is valued at $3.8 billion for the firm order alone. This is a substantial commitment to the CSeries which is not simply a signature aircraft program for Bombardier, but also one of the most important, innovative technology projects in Canada today.

Global champions invest and manage their business for the long-term, not for quick hits or short-term trading opportunities—and I am not looking at anyone in particular by the way in this room. Think about the amazing business that Amazon has been building with virtually no profit for years.

Airlines, in particular, operate over a long, virtually generational cycle. For example, aircraft purchasing. First, you typically study an aircraft's requirements to try to understand what the market will require several years in advance. Once you order an aircraft, it typically takes four or five years until delivery and, of course, you will have no clue whether or not the universe will have changed by then or whether you might be in the middle of a new recession, for example. The aircraft then typically has a life cycle of 25 years. It amounts to a serious commitment that cannot be measured significantly in any given quarter; therefore, an investment timeframe has to match this long-term strategy, and, more and more, well-known investors, such as Larry Fink, the CEO at BlackRock, and many of our own pension funds here in Canada, are increasingly speaking to the importance of long-termism in both investing and in managing businesses. I wholly endorse that. We need to run our business and make our capital allocation decisions based on sustainable profitability in the long-term interests of our stakeholders.

A level playing field is crucial for global success. True global champions from other countries are often unconstrained in their ability to compete and win based on exploiting their strengths. In this area, the public policy framework in Canada has not always been favourable and, in particular, with respect to our industry and with respect to Air Canada. The federal government continues to collect billions of dollars in hefty airport rent on facilities that operators have now paid for many times over.

In Ontario, the government has imposed a 148% increase on fuel excise taxes. The industry carries burdensome security surcharges that are not reinvested in the industry. Policies, such as these, translate into a higher level of costs that indirectly impede economic activity; moreover, in Air Canada's case, in particular, our company has been subject to some of the rather unique provisions of a 30-year-old privatization statute, the Air Canada Public Participation Act, dating from the time the company ceased to be a Crown corporation three years ago. These include obligations for mandatory provisions in our articles as to where we are required to perform aircraft maintenance. No other airline in Canada or, to our knowledge, any private sector airline anywhere in the world is subject to restrictions such as those imposed on Air Canada—not WestJet, not Porter, not Air Transat, not Sunwing, not British Airways, not American Airlines, not Cathay Pacific, not Emirates, et cetera, et cetera, et cetera.

Fundamentally, to continue to succeed and thrive in the global marketplace and to create high-skill job opportunities in Canada, beyond those held by our 28,000 employees, we need a level playing field and the same ability to manage our business and affairs as our competition. Last month, the federal government tabled a bill to amend and modernize that Air Canada Act, dating from privatization, which we believe was long overdue. The amended act recognizes the reality that Air Canada is a private sector company, not an instrument of state policy; it is owned by private sector interests which operate in a highly competitive, global industry that has undergone dramatic transformation over the past three decades. It is also recognition that the best jobs are those that are created by strong, private sector employers. For employers to thrive, let alone to develop into the kind of global champion that this country needs, it must be a competitive, business-friendly, landscape, where companies, such as ours, are permitted to compete with the best in the world on a level playing field with the market determining costs and inputs. We cannot wring our hands continuously and wonder why Canada has hollowed out its global champions without starting to deal with some of these challenges.

In Air Canada, Canada has an iconic, global brand that has succeeded through eight decades of incredible change to product, network, markets, and customer expectations. And while we may or may not be anywhere near that elusive ten-yard line near the global champion goal, I can tell you that we are and will continue to embrace that change. There is no risk of spiking the ball prematurely. We intend to keep evolving, innovating and reinventing ourselves to find that new new—as they like to say in the technology playbook, that global champion playbook—and to stay ahead of the curve.

There is a world of possibilities out there awaiting us, and the best I believe is still yet to come. Thank you very much for your attention.

Note of Appreciation by Colin Lynch, Vice President, Strategy and Growth - Executive Office, Greystone Managed Investments; Director, Empire Club of Canada

Thank you. On behalf of the Empire Club and the folks assembled here today, I would like to thank Calin for his speech. There are many companies in Canada that aspire to a global platform, that aspire to greatness. Few have actually accomplished that feat. What we have heard today is an outline of the transformation that you have led in Air Canada and a roadmap to accomplish even greater things in the future. So, thank you for taking the time to share it with us today.

Concluding Remarks by Dr. Gordon McIvor

Thanks very much, Colin. Thank you as well, ladies and gentlemen, to our generous sponsor today, Aimia, for being our event sponsor.

We would also like to thank the *National Post* which many of you will know is our national print media sponsor and Rogers Television, our national broadcaster. We would also like to thank Mediaevents.ca, which is Canada's online event space, for live webcasting today's event at a global level. Please, follow us on Twitter at @Empire_Club. You can also join us or follow us on Facebook, LinkedIn and Instagram.

And, please, join us again. For those of you that are not regular guests at the Empire Club, we welcome you to come back. We have got lots of great events lined up. Tomorrow, in fact, we have a remarkable story: Jan Westcott, the President and CEO of Spirits Canada and the Association of Canadian Distillers, will be here to talk about how Canada got to be the top whiskey producer in the world. We have the Minister of Finance, Bill Morneau, who will be joining us this Friday to talk about, obviously, the recent budget. That will be April 8th at the Metro Toronto Convention Centre. And we just booked our first speaker in the sesquicentennial series, which is Canada's 150th birthday, which you all know is next year. And that will occur this June 3rd, and we have invited Chief Justice Beverley McLachlin, the head of the Supreme Court of Canada. She will be talking about the role of the Supreme Court in the past and in the future in shaping many of Canada's moods and aspirations. We welcome you to join us for these events, and, thank you, especially, ladies and gentlemen, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

JAN WESTCOTT
PRESIDENT & CEO, SPIRITS CANADA/ ASSOCIATION OF CANADIAN DISTILLERS:

April 5, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are joining us either through our webcast or our podcast or on Rogers Television, welcome, to our meeting.

Now, before our distinguished speaker is introduced today, it gives me great pleasure to introduce you to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Jan Westcott, President and CEO, Spirits Canada/Association of Canadian Distillers

Guests:

Mr. Neil Currie, General Manager, Ontario Federation of Agriculture
Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada
Mr. Davin de Kergommeaux, Author and Writer
Ms. Anne Leonard, Executive Director, Arrive Alive, Drive Sober

Mr. John Maxwell, Owner, Allen's Restaurant
Mr. Don McCabe, President, Ontario Federation of Agriculture
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Ms. Leslie Smith, CEO, Smart Serve Ontario
Mr. Joel Toguri, Director of Operations, Glazers

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property. Ladies and gentlemen, your head table.

Introduction

Many Canadians can recount at least one story relating to the legendary drinking bouts of our first Prime Minister, Sir John A. MacDonald, who had a voracious and unwavering devotion to alcoholic beverages of all kinds. Far fewer are aware of the importance of whiskey in the early history of our country, including the financial importance of distilled products. There is an entire period before Confederation during which whiskey and products like that were actually paying enormous amounts of taxes. In fact, pre-Confederation, a single distillery, Gooderham & Worts, paid more taxes than any other body in all the territories that would later become Canada. In Toronto itself, this distillery was one of the largest commercial enterprises in the city. So it begs the question, *Did people consume more spirits back then?* The answer appears to be an unequivocal, "Yes," and statistics show us that during Sir John A. MacDonald's time, every living soul consumed on average four gallons of alcohol each year in the young nation. And one can assume that women and children drank less than the men folk, which means that the number would have been far higher for them.

Now, being large consumers led to a wide variety of high quality products emanating from J.P. Wiser's, Hiram Walker, the aforementioned Gooderham and Worts and many others. Throughout this history, Canadian whiskey always occupied a very special place as it was universally recognized for its distinctive taste and its high quality smoothness. This is in part due to the practice adopted very early of adding small amounts of highly flavourful rye grain to their mashes, leading people to refer to the product as "rye whiskey" or just plain "rye." Soon this distinctive taste has fans all over North America and, eventually, across the entire world as referenced in countless historical speeches from this very podium at the Empire Club. For example, in 1970, we had a rather famous address by the marketing guru of Canada back then. His name was John Straiton. He was the President of Ogilvy & Mather. Some of you may remember that, and this gentleman, as one of the leading consumer product experts of his era, surprised his audience by informing them that rye was a very big deal for our American cousins south of the border. Here is the quote from that speech in 1970:

> We once tested some advertising ideas for a stereo set in Toronto and in Chicago. The phrase "Made in Canada by Canadian Craftsmen" was actually rated better in Chicago than it was in Toronto.

I know that Canadian whiskey is the biggest selling whiskey in the U.S. They like our spirit, somehow.

Not surprising then that Barack Obama made sure that there was some Canadian whiskey used in preparing the steak dinner he recently offered for our Prime Minister and his delegation, a fact that was certainly not lost on Canadian media, nor is it surprising that Canadians, now better understand the importance of distilled products and how their country has excelled at this from the very beginning culminating this year when a Canadian whiskey, Crown Royal Northern Harvest Rye, was honoured all over the world when it was named the 2016 World Whiskey of the Year. To mark this occasion and to recognize the historical, financial, and cultural significance of Rye, a quintessentially Canadian product of iconic status, the Empire Club is absolutely delighted today to welcome to its podium, Mr. Jan Westcott, the President and CEO of Spirits Canada, who will explain how we got to being distillers who are now beating out the Irish and the Scots at their own game in the awards department producing what is now officially considered the best whiskey on the planet.

Now, for the skeptics, there was tasting earlier on, and I heard nothing but extremely positive results as a result of that, and, of course, it is for those who are history buffs we will toast to another supreme Canadian success story that is all too often more known in other countries than right here at home in Canada. Canadian whiskey has been an important part of our history, our politics and our identity. And while few would want to indulge in the excesses of some of our forefathers, it deserves to be appreciated by far more Canadians than it is at the present time.

Jan Westcott has represented the Canadian distilling industry since 1998 and was a key player during three major milestones for Canada's beverage alcohol business. As President of the Canadian Wine Institute, he was part of key negotiations with the U.S. and Europe which set the stage for greater access to imported wines. He also represented the industry during the Canada/U.S. Free Trade Agreement, helping to lay the groundwork for the enormous success currently enjoyed by the Canadian wine industry.

During a U.S. dispute before the WTO over Canada's protectionist practices, as CEO of the Brewers of Ontario, he participated in negotiations that led to significant changes to the availability of imported beers. He may well know more about the importance of the spirits industry to Canada's economy, jobs and wealth creation and its integral role in Canadian agriculture than anyone else alive today. And his message is an important one for all those Canadians who think about Canadian brands and products in the international marketplace and how one goes about making these brands and products, not only highly appreciated here at home in Canada, but out in that much tougher and more competitive international marketplace.

So, ladies and gentlemen, it is with great pleasure that we welcome at the Empire Club today, Mr. Jan Westcott.

Jan Westcott

Canadian whiskey is poised to claim a much more prominent, potentially dominant, global position. The only thing standing in the way are our own structural impediments, self-inflicted wounds of the worst kind.

Good afternoon, head table guests, Empire Club Directors, ladies and gentlemen. Today I am going to talk about the enormous opportunity for Canadian whiskey and other spirits produced in Canada, the obstacles that Canadian distillers face and what we must do to eliminate those obstacles, the structural impediments of our own making so that we can together maximize the opportunity for the benefit of all Canadians. As has been alluded to earlier, a few short months ago, Jim Murray, author of the renowned U.K. *Whiskey Bible 2016* recognized Crown Royal Northern Harvest Rye as the world's best whiskey for 2016. Yes, you may certainly applaud, and I hope you enjoyed your taste of Northern Harvest Rye in our toast to the Queen.

All of a sudden, a category, "Canadian Whiskey," long taken for granted here at home, is being discussed in every corner of the global, anywhere and everywhere that whiskey is consumed. Whiskey lovers of the world are asking, "*What* is this? Who makes it? Where can I get some?"

Coinciding with Murray's declaration about Crown Royal Northern Harvest Rye being the world's best whiskey has been a huge upsurge in overall consumer interest in brown spirits, especially, whiskey and, most particularly, rye whiskey. Distillers everywhere are responding to meet the exploding consumer desire for classic rye whiskey as well as innovative new styles.

Now, rye has been the forte of Canadian distillers for more than a century. And our distillers are creating a whole new generation of exciting brands with Northern Harvest Rye as just one example, and we are not alone. Whiskeys distilled outside of Canada are capitalizing on modern consumer trends to grow their own sales and popularity. One example is Irish Whiskey, a category that emerged from the shadows to take a major global position. Led by Jameson, Irish Whiskey has seen phenomenal growth over the past fifteen years jumping from less than $100 million in export sales to half a billion. Every distiller in every market wants to take maximum advantage of this surge in consumer-driven demand.

In Ireland, there is a tangible reawakening in the whiskey sector. New distilleries are being built. New brands and new companies are being launched, and there is an impressive upsurge in business investment. This is great for Ireland—more jobs, economic growth, more opportunity for people looking for work and to learn a craft.

Okay, how about Canada? Whiskey and whiskey-making are older than Canada itself. For two centuries, distillers in Canada have been actively contributing to the economic well-being of this country, and the business of whiskey is interwoven into the very fabric of Canada. Bold claim: "Interwoven into the very fabric of Canada." Two quick examples: You are all no doubt aware of the global insurance behemoth, Manulife. Manulife was created by two Canadians, one was also the principle founder of our country, Sir John A. Macdonald. The other founder was Henry Corby, who built and ran Corby Distilleries near Belleville.

Now, I will let you in on a little secret: I and others suspect Sir John A. provided the idea for the then Manufacturers Life Insurance Company, and Corby provided the financing and the business know-how. Corby Spirit and Wine today operates the Hiram Walker plant in Windsor, North America's largest distillery.

My second example involves a group of renegade Americans who in the 1860s illegally sold cheap, low-grade whiskey in southern Alberta. These hooligans were not shy about what they were doing, not at all. Their headquarters, situated in what is now Lethbridge, Alberta, was called by these American bandits, maybe appropriately, "Fort Whoop-Up"—and it was. Ottawa sent a detachment of horsemen to drive out the renegades and put an end to their illegal trafficking. That group of horsemen came to be known as the "North-West Mounted Police," the forerunners of today's

RCMP. So our country's founder, Sir John A. Macdonald, the RCMP, interwoven into the very fabric of Canada, is no exaggeration, and there are many more examples.

However, the whiskey component of that Canadian fabric is in danger of fraying or completely disintegrating. I tell you, ladies and gentlemen, we are at a critical crossroads nearing crisis in fact. The Chinese do not have one single symbol for crisis and must, therefore, use two. You may have already heard this before—if you have, bear with me, but it is so relevant to my topic that I think it is worth repeating here. To express crisis, the Chinese use two symbols. The first symbol represents danger. The second symbol represents opportunity. Canadian distillers today face genuine, real and present danger, but if we recognise the danger and rise to the challenge it presents, we can leverage it and convert it to become a powerful opportunity.

So who exactly are Canada's distillers? Partnering with farmers across Canada, we convert high quality grains into world-class branded products exported to more than 160 countries around the globe. We make iconic brands recognizable worldwide: Canadian Club, Crown Royal, Wiser's, V.O., Alberta Premium, Black Velvet, Canadian Mist, Gibson's and, more recently, Forty Creek.

Canadian Club and Wiser's have been produced and sold continuously for 160 years. Think about that. Think about any other retail brand you could think of that has been here for 160 years and still going strong. Crown

Royal, created in 1939, originally to mark the first ever visit to the country by its reigning monarch, King George VI, just celebrated its 75th anniversary.

Distillers have a powerful and enduring relationship with Canadian farmers, our partners. Allow me for a moment to recognize our partners and my friends from the Ontario Federation of Agriculture here today and our sponsors. Thank you. Distillers are significant users of Canadian grain. We are exceptionally proud of the fact that almost all of the grain, virtually all of the grain, used in our distilleries, comes from Canadian farms and Canadian farmers. This means 320,000 metric tons of Canadian grain every year are used by distillers. We are the biggest buyers of rye in this country, and we are one of the top purchasers of corn in Ontario and in our neighbour next door, Québec. Canadians want Canadian businesses to do more here in Canada with Canadian materials and Canadian resources, and distillers are doing just that.

Some statistics: Distilling contributes $5.8 billion to Canada's GDP. They employ 8,000 skilled Canadian workers in good, high paying jobs in twelve plants across the country. And last year, the spirit sector generated nearly $700 million in exports for Canada. In fact, spirits represent two-thirds of Canada's alcohol exports with beer and wine combined responsible for the other third. That surprises a lot of people. I mentioned a moment ago that we partner with farmers. Distillers are dependent on farmers doing what they do, so we can do what we do. These farmers are in Ontario, Manitoba, Saskatchewan, Québec and Alberta. In fact, in every single province where we produce spirits, we buy from farmers in those provinces. Incredibly, once we have used the starch in those grains, they then provide cattle, hog, and dairy farmers with high protein distiller-dried grains, an environmental and economic win/win, for sure.

In 2015, the world whiskey market was worth $8 billion. Whiskey and other spirits, by their very nature, are high value goods. They create jobs, significant economic activity, sizable tax revenues and economic growth potential. Scotch, the world's leading selling whiskey last year, exported $6 billion.

Earlier, I mentioned Ireland and the tremendous growth that Irish whiskey has achieved in pretty short order. Relative newcomers, Japan and Korea, are also making great whiskeys and gaining standing. Bluntly put, if Canada does not change its course and improve its ability to participate in this global business, we are in danger of being overtaken and relegated to the history books. This would be a travesty and a tragedy.

Today, we are exporting almost $700 million worth of spirits, most of that whiskey. Based on what we project and the massive surge in world-wide demand and popularity of our truly world-class product, I am convinced we should be well over a billion dollar exporter if not much,

much more. This is a time of immense opportunity, but we must act on that opportunity before it is lost. I have a vision of Canadian rye whiskey ultimately becoming a $2 billion exporter.

Imagine the benefits if that vision was attained. It can be done. Davin De Kergommeaux, who is with us here today, wrote in his book *Canadian Whiskey: A Portable Expert* Canada rightly lays claim to being one of the world's eminent whiskey-producing countries. We are responsible for many advances in the nature and quality of whiskey, not least the fact that Canada legislated aging distillate and wooden barrels long before any of its competitor countries.

J.P. Wiser, Henry Corby, Hiram Walker were famed in their day for bringing quality improvements to whiskey far ahead of their competitors elsewhere. As you heard earlier, Canadian whiskey was, for decades, the whiskey most consumed by Americans. Beginning in the late 1700s, thanks to different European wars, Britain suffered shortages of spirits, shortages that the Scots and the Irish just could not meet. Fortunately, during this difficult period, Canada helped keep the Brits sane by providing a plentiful supply of Canadian whiskey. You know, for a time, Canadian rye was among the leading selling whiskey in the United Kingdom. We have done it before; we can do it again.

Iconic brands, centuries of experience, refined craftsmanship, unique and distinct Canadian style and taste, the world's best whiskey, global recognition of our superior quality, surging world interest, the best grains and water anywhere and an evolving open trading environment giving us access to foreign markets once closed off to us. It is a perfect storm. We have every element necessary to succeed and ensure that Canadian whiskey rises to meet this burgeoning opportunity. So what is the catch? The catch is shackles here in our own home market that threaten opportunities for achieving major success on the world stage. With clarity, vision, strong leadership, increased government and industry collaboration, we can undo these impediments and leapfrog into a much more prominent, potentially dominant global position.

Here are some of the structural impediments we face, relics of an earlier age: Governments impose a hugely disproportionate fiscal burden on spirits by taxing them at far greater rates than taxes on beer and wine. And more restricted access of consumers to spirits despite overwhelming evidence that modern consumers regard all alcohol beverages as virtually the same. That is a viewpoint supported by scientific data and opinion.

Last year, the U.K. Chancellor of the Exchequer in his formal budget address in Britain stated, and I quote: "To further support the Great British success story, the Scotch whiskey industry, the duty on spirits will be cut by 2%." When was the last time any Canadian elected official made similar statements as to the value and importance of Canadian whiskey to our economy? Seldom, if ever, do we hear a political leader speak to the value that spirits bring to Canada, the jobs they create and support, the role spirits plays in helping agriculture, farms and farmers and other suppliers, the value generated in earning much needed export dollars. Politicians are not talking spirits or doing anything about the structural impediment. This has to change.

We have to address the highly tilted playing field that spirits face, and yet there are small, encouraging signs that the change has already begun. New, small boutique distillers are popping up across the country for the first time in generations and are gaining attention. The emergence of small distilleries is positive, and there is no doubt that these new, small spirits producers will help increase consumer interest in spirits. We wish them well, but we must also focus on the bigger picture and bigger obstacles and getting rid of bigger impediments for all spirits.

Like most countries, beverage alcohol sold in Canada attracts specific taxes, simply because they contain alcohol. These take the form of federal excise duties and taxes and, in the provinces, Liquor Board markups and commodity taxes. In virtually every jurisdiction, governments levy far higher taxes on spirits than they do on beer and wine, and I will give you a couple of examples: Federal excise duties on spirits are 200% of those imposed on the same amount of beer and wine—twice as much tax on the identical amount of alcohol. In fact, in a flat market, federal excise revenues from spirits have soared 40% since 2006 in a flat market. The second example: In 2006, Canadian wine made from 100% Canadian fruit was completely exempted from excise duties. Now, we appreciate the desire to aid Canadian vintners. I was a vintner for a long time. We appreciate the supports that are being given, but we and our farming partners, remain perplexed why wine products would receive such strong support for 100% Canadian fruit while distilleries failed to receive similar support for 100% Canadian grains. Structural impediments are not only or even predominately a federal issue: Every province taxes spirits far more heavily than they tax beer and wine, including—and this I find enormously ironic—beer and wine from other countries.

In Nova Scotia, the posted mark-up on spirits is a whopping 160%, but in some cases, the total provincial load in that province is over 200% due to some highly questionable pricing policies that impose higher rates. In addition to lining its pockets at the expense of its own citizens, Nova Scotia is also diverting significant investment out of that province with its off-the-chart mark-ups. Keep in mind that it is not like distillers can sell to Nova Scotians at a fair price. The only way to consumers is through the Nova Scotia Liquor Board. Nor should other provinces be smug. Every province follows a similar pattern of imposing discriminatory taxes on spirits compared to lower taxes on beer and wine.

Now, to be fair, we are seeing encouraging signs in

Ontario and in Alberta where for the first time government leaders and officials seem sensitive to the unfair fiscal burden. In its last two budgets under two very different governments, Alberta very significantly closed the gap between spirits, beer and wine, and much to its credit, Ontario's recent budget froze its mark-ups on spirits, a development for which we are most grateful.

We are encouraged that Ontario and Alberta are listening. It is a great start. We must do more. Why? Because we continue to see provinces provide easier, more convenient access to consumers for our competitors' products. B.C. and Ontario's decision to exclude spirits from sale in farmers' markets is a good example. Another is beer and wine on sale on Ontario grocery store shelves—an option specifically ruled out for spirits in both B.C. and Ontario. Similarly, almost every province has given its local producers tax breaks and wider access to consumers, incentives systematically denied for producers in a neighbouring province. These inequities further tilt the playing field against distillers and spirits, and these local advantages confer to what many call "favourite sons" are creating a whole new class of interprovincial barriers, structural impediments right across this country.

There is more. Our Canadian web of tax structure and overregulation results in Canada's distillery sector having the lowest gross margins for spirits anywhere in the world. When you sell spirits in Canada, you make a lot less money than if you sold them elsewhere, dramatically less. We have a significantly weakened competitive stance: We are weak in competing with beer and wine and are particularly weak in competing against our international whiskey competitors.

Canadian governments appropriate so much of the spirits transaction that Canadian companies have far fewer dollars to invest. Money just is not there to upgrade plants, to develop new products, to expand export markets or to simply promote their products at home, never mind across the globe. Attracting investment capital to the Canadian spirits business is tougher than ever before. Our inability to match marketing dollars of leading competitors has already affected Canadian whiskey's position. After dominating the U.S. market for nearly eighty years—*eighty years*—in 2011, Canadian whiskey dropped to second place as American straight whiskey brands, like Jack Daniel's and others, ramped up their promotional activities and squeezed Canadian whiskey brands down. We may be down; we are not out. But—and it is a big but—we must face reality and we must act. For things to change we must change. If we keep on the current path, if we are unwilling or unable to begin to fix the inequities, to begin to eliminate the impediments, the opportunity to grow and prosper will be lost, potentially forever. Business does not stand still; neither must we.

I want to take a moment here to publically reinforce our industry's strong commitment to ensuring our products are used in the right way by the right people at the right time. Some of our partners in these efforts, Anne Leonard from Arrive Alive DRIVE SOBER, and Lesley Smith from Smart Serve are with us today. Thank you for your good work. Keep it up.

Okay, you are sitting out there saying to yourself, “These comments: Pretty typical, self-centred, biased business complaints. Heard them all before. Why should I pay any attention?” Or you might be wondering how this doom-and-gloom picture fits with my earlier statement that Canadian whiskeys are poised to jump into a much more prominent, potentially dominant global position. Joined as I am by our agriculture partners today, we prefer to look at the brighter side, the side of optimism and draw on Canadian resiliency, grit and determination. We can reorient our approach. We can again be number one—and more. We can rise to the prominence that our world-class products fully deserve. It would be a travesty and a tragedy not to do so.

The solution requires change. More government and industry collaboration. Strong, intelligent leadership in business and in government—and let us be real—good, old fashioned common sense. Imagine for a moment what a billion dollars in exports would mean, not only for our industry but for the country and all Canadians. Imagine a return to being the most popular whiskey in the United States, the world’s largest beverage alcohol market. Imagine catching up with scotch, single malt, Irish and going toe-to-toe with bourbon. Imagine a return to the habits of the

‘50s and ‘60s and ‘70s when prime ministers and premiers never left Canada without taking along a case of Canadian whiskey. It was a way to showcase Canada and a token of Canada’s esteem and friendship. We need to return to those days when we were truly proud of Canadian whiskey and what it said about Canada and Canadians.

So where do we go from here? Well, for starters, we are stepping out publically to talk about the opportunity to highlight where we can go and what we can achieve if we work together. Today is the first time this industry has addressed these issues and these impediments publically. There will be many more. And you have a role to play: We need your help in spreading the word and conveying to governments, legislators, and regulators the risks and consequences of continuing on the path that we are on. Canadians value highly those things they see as distinctly Canadian. Canadian whiskey is one of those distinctly Canadian tangibles that help describe and define our country. We have a world-class product recognized at home and all around the globe. Americans have patronized our whiskey from the days of the Civil War through prohibition right up to the present day. Canadian whiskey and Canadian spirits are an element of Canadiana that all Canadians would lament losing. We have a fantastic opportunity to reposition Canadian whiskey on the world stage. It is an opportunity that would see Canadian resources, Canadian talent, and Canadian products marshalled to the maximum benefit of all.

Ronald Reagan is well known for his statement, "Mr. Gorbachev, tear down that wall." Today, I make a similar call to action: Prime Minister, provincial premiers, tear down those structural impediments. Working together, let us elevate Canadian whiskey to world-wide prominence. It is too good not to. Cheers.

Q: **Thanks very much, Jan, for the speech. Curious from the perspective of political leadership and will in the country and, more specifically, curious about your comment on prime ministers who used to always travel with cases of Canadian whiskey. Why did it stop, and can we find a way to make that happen again?**

JW: Well, the first answer is probably airport security. The second answer is I am not sure. In truth, a little secret: Canadian prime ministers and many other political leaders in this country did take Canadian whiskey with them when they traveled. It was a great ambassador to travel along with them. In fact, the former Emperor of Japan, known in Canada, traveled to Japan without taking a case of Crown Royal because the favourite whiskey of all time of the former Emperor of Japan—not the current one—was Crown Royal, and if you wanted to make a good impression in Japan, you took the Emperor some Crown. You did not take him a bottle. You better take him a case.

But it is a true story and that was pretty common. You have to remember that if you go back to the '60s, two Canadian companies dominated the world spirits industry, Seagrams with the Bronfmans and Hiram Walker with Harry Hatch. Those two companies controlled 70%, 80% of the world's spirits business—tremendous amount. Had a little cash coming out of prohibition obviously so, yes, we were major players.

Q: Great presentation. My question is why do you stop at $2 billion? Scotland has got a fifth of the population, a sixth of the population as we do. What is it that they have that we do not right now in the industry? There is diversity, but the grains, the water—whatever Canada has, it seems like it could absolutely compete with that market.

JW: If you are asking what they have in terms of competiveness, we do not have margins which is the short answer. We lack margins in this country. It is not a new problem. It has been around for a while. But as I say, it is amazing that we have so much going for us, and, being recognized frequently, as I said, most recently with Northern Harvest Rye, as producing these fantastic products. The explosion that is taking place in the Canadian whiskey business—as it is in many other whiskey businesses—is fantastic. The quality, the range of products, the innovation that is taking place are terrific. I picked $2 billion because it is a nice round number, but I am happy to go higher. Thank you.

Q: You did not talk a lot about demographics. Who is consuming whiskey now in Canada? And I know when I was growing up, I always thought about it as kind of an older guy's drink. Are women drinking whiskey now in a much greater amount than they did when I was a kid?

JW: Absolutely. They are not drinking it the same way. There are no rules, so you have all been hearing about millennials and their attitudes and behaviours. There are no rules. What we did in our generation, what we felt was appropriate to consume at a particular occasion, that stuff is all gone. Women are drinking whiskey. We just came from a tasting last night that we did—Michael and I—and women were at the front edge of the crowd wanting to try things. Educated palates, keen interest in understanding it, and lots of interest. Spirits skipped one or two generations during the '60s, '70s, maybe into the '80s or past that. The new generations are discovering spirits and experimenting and having a lot of fun with them—and to the earlier comment, doing so much more responsibly than you and I probably did.

Q: Hi, Jan. Thanks for inviting me today. Well, we know about the burgeoning micro-brewery industry. You made mention of the so-called boutique distilleries, micro distilleries. Can you make a comment about that, what the size of that is now, where you see it going and how you see you working with the larger brewers? Boutique distilleries.

JW: Boutique distilleries?

Q: Yes, where do you see them going? Where are they now? I imagine a lot of people do not know that they are even in the province.

JW: So when I joined the wine industry in 1984, ’83, ’84, something like that, Don Ziraldo and Karl Kaiser were just starting Inniskillin. Paul Bosc was just starting des Charmes; Klaus Reif was starting; John was just starting to build Hillebrand. We watched the explosion of small wineries and the fantastic impact that they had on the business. I got recruited by the brewers. Just as I joined the brewers, we saw the creation of Toronto’s own Upper Canada. John Sleeman was just in the process of opening Sleeman, so I have been at a very interesting point in a number of industries. I see no reason why small craft distilleries, boutique distilleries—I do not like the word ‘craft’. If you go into any of our distilleries, they have been working on developing this craft for hundreds and hundreds of years, so I think ‘boutique distilleries’ is a great name, and I think they are going to do well. They are going to add a lot to the category. They can innovate. We are seeing interesting new products, so I am kind of excited about that development. We say two things to ourselves in our business, in the spirits business. One is “We believe in competition.” Competition makes everything better. You do have to have a level playing field in order to have real good competition.

The second thing we say to ourselves is—and I stole this from Rick Fitzgerald— "Stand with the consumer." What that means is the closer you are to your customer, the more attention you are paying to the customer. Life may not always be rosy, but you will probably come through okay, and so those are the two things that with which we guide ourselves in the spirits business—competition and pay attention to your customer. Those will keep you out of trouble and probably deliver you a pretty good business. I have been sitting beside a restaurateur, a famous restaurateur, and I am sure he breathes those things every single day. So those are good things in business, but those are what we do. Great future for small distilleries working together with everybody else. Thank you.

Note of Appreciation by Don McCabe, President, Ontario Federation of Agriculture

Head table guests, Empire Club, thank you very much for this opportunity to be here today and to everyone in the room. I think we all had an opportunity to learn a few things here today. And I think we have all had the opportunity to explore the bounty of the Province of Ontario. As the Ontario Federation of Agriculture, we, too, are very proud to stand with our consumer. You are a consumer. There seems to be a couple connecting spots between us and you. From at the farm, we are very proud to stand with Jan Westcott and Spirits Canada in extolling the messages going forward. The Ontario Federation of Agriculture has the opportunity to represent 36,000 farmers across this entire province. We feed into the Canadian Federation of Agriculture which represents over 200,000 farmers. So the distilleries that Jan has alluded to and the market potential that he has is a definite need for Canadian farmers to stay in that issue of sustainability.

For farmers, it is a very simple equation: Profit, planet and people. If we are not making profit, you are not going to find that grocery store quite as friendly as you do now. If we are not taking care of the planet, you would have been hungry a long time ago. And if we are not able to bring the goods out, you are not going to be able to employ the people that you do and explore the opportunities you do in other ways. So as an Ontario farmer who is proud to be the President of the Ontario Federation of Agriculture who is part of the number one industry in this province because I stress that if you think it is the automobile industry, go home and boil your bumper and enjoy the meal.

We are very proud to stand with Spirits Canada, have our voice heard through the Empire Club. And, in closing, I want you to make one more connection that you never would have thought of: The opportunity to consume Canadian grains and the roots that those plants put down because that white stuff is out there now, but, next month, we will be employing technologies that are exceeding what is taking off from Pearson Airport right now in the form of an airplane. To plant one corn kernel. That one corn kernel will, hopefully, be able to present itself in the form of about four to five to six hundred to seven hundred kernels of corn on a cob. There will be roughly 30,000 of those cobs to every acre. Bottom line at the end of the day is that it is that bounty that allows us to stand with you having the best food source in the future and the best product to enjoy while doing it.

Thank you, Jan, for the hard work you do. Thank you, Empire Club for the opportunity today and the connection between all of us is when we put those roots in our country and those plants suck up that carbon dioxide, drink whiskey to battle climate change. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Well said, Mr. McCabe. Thank you, and thanks again to the Ontario Federation of Agriculture for being our event sponsor today. We would also like to thank our national media sponsor, the *National Post* and, of course, Rogers Television, which is our national broadcaster. We would also like to thank Mediaevents.ca, which is Canada's online event space, for live webcasting today's event at a global level.

Please, follow us on Twitter at @Empire_Club. We are also on Facebook, LinkedIn and Instagram, and we hope you will join us in the coming days. We have got some fantastic events coming up in the coming weeks. This coming Friday we have our Finance Minister of Canada, who will be talking about the recent budget, of course. That is on Friday, April the 8th, at the Toronto Convention Centre. Next week, we have Andy Byford speaking to us on Friday, April 15th, a week from this Friday, about, obviously, the TTC and what is ahead for that institution. And we just booked the Chief Justice of the Supreme Court of Canada, Beverley McLachlin, who will be speaking to us on June 3rd and kicking off our sesquicentennial celebrations. As you know, next year is Canada's 150th anniversary, and the Empire Club will, of course, be a part of that. So thank you all. We hope to see you in the coming days and weeks, and thanks for your attendance today. People who have the code on their coaster can take this book home, so, everyone, look under your coaster. You may be taking a book home. Thank you, ladies and gentlemen. This meeting is now adjourned.

The Empire Club Presents

THE HONOURABLE BILL MORNEAU MINISTER OF FINANCE

on

BUDGET 2017: WORKING FOR THE MIDDLE CLASS

April 8, 2016

Welcome Address by Dany Assaf, President, Canadian Club of Toronto

Once again, good morning. Good morning to everyone. It is always great to see such a broad group of Canadians come out early in the morning to hear about things that are important to us all. And, today, we are particularly lucky to have Minister Morneau with us to talk about a very important budget that was recently released.

My name is Dany Assaf, and I have the pleasure this year of serving as the President of the Canadian Club of Toronto, and I am delighted and honoured to be your co-host today, along with our partners and our friends at the Empire Club of Canada, represented by my colleague and cohort, Gordon McIvor, from whom you will hear very shortly as well.

It is an impressive crowd that I look out across today. It was mentioned to me earlier that now, 2016, there is a lot of flexibility in how people can dress to work—often casual—and not many people can get this many people on a Friday to come out in formal business wear and the guys, especially, wearing their ties. That is an extraordinary accomplishment, Minister, to show the respect that everybody has for you.

We were going to hold this at the SkyDome, but, apparently, there is some kind of home opener and a baseball team or something. It was a little hard to displace. We are lucky to be here today. Here, at the Canadian Club, we and the Empire Club of Canada are extremely proud of our rich history of being able to attract influential leaders and decision-makers who make important policy and decisions on behalf of us all on things that are near and dear to our hearts. Both of our Clubs have provided Canadians for decades, closely guarded, nonpartisan platforms where we can freely and openly exchange ideas on these things that do impact our lives. Through our programs, many like today, joint programs, including often youth and young leaders' programs, diversity partnerships and media and social media initiatives, we are able to bring these things to our audiences and our members. We are always committed to bringing a diverse set of speakers on a range of topics who will address things in thoughtful, even sometimes provocative ways, but always provide us with important insights.

Today's topic is obviously no exception: To hear, to listen about this very important budget. And a budget, of course, in many ways is a reflection of our collective investment in our future and how we want to see our country. Periodically, whether you are a person, whether you are a company or whether you are a country, you want to think about it because it is important to renew an investment in yourself. This government and our recent election offered that vision to Canadians and the majority of Canadians chose that.

Today, we are going to hear form the Minister about this inaugural budget. Of course, the best investment plans and the best initiatives mean nothing without great people to implement them. We will get a chance to learn a little bit more about our dear guest speaker and his track record and the hands that our future is in.

Now, it is my pleasure and my honour to take an opportunity to introduce our head table guests.

HEAD TABLE:

Dany Assaf – President, The Canadian Club of Toronto; Co-Chair, Competition & Foreign Investment Group, Torys LLP

Dr. Gordon McIvor – President, Empire Club of Canada; Executive Director, National Forum on Public Property

Hon. Bill Morneau – Federal Minister of Finance

Hon. Charles Sousa – Ontario Minister of Finance

Gillian Riley – Executive Vice-President, Canadian Commercial Banking, Scotiabank

Richard Talbot – Chief Operating Officer, RBC Capital Markets

Darryl White – Chief Executive Officer and Group Head, BMO Capital Markets

TD – Howard Cohen, Senior Vice President, TD Business Banking
Nikki Holland – Director, Public Affairs, Carpenters' District Council of Ontario
Sean Weir – National Managing Partner & CEO, Borden Ladner Gervais LLP
Mark Wiseman – President & CEO, CPP Investment Board
Michael Latimer – President & CEO, OMERS
Mohammad Al Zaibak – President & CEO, Canadian Development & Marketing Corp.; Co-Founder & Board Member, Lifeline Syria
Helen Reeves – Vice President, Marketing & Communications, Morneau Shepell
Jennifer M. Sloan – Vice President, Public Policy, Canada, MasterCard; Immediate Past President, The Canadian Club of Toronto
Andrea Wood – Senior Vice President, Legal Services, Telus; Immediate Past President, Empire Club of Canada
John Campion – Partner, Fasken Martineau; Past President, Empire Club of Canada

Ladies and gentlemen, I present you your head table guests.

Thank you. Now, I would like to take an opportunity as well to thank today's event sponsors, and they include BMO Financial Group; Borden Ladner Gervais LLP; Carpenters' District Council of Ontario; RBC Capital Markets; Scotiabank and TD Bank Group. Thank you all for your generous support of today's event. Greatly appreciated.

Before I formally introduce today's speaker, I want to let our live audience know you can join the conversation via Twitter. Yes, we have joined the modern age, and you can follow us @cdnclbto and @Empire_Club.

Now, it is my pleasure to head to the main event and introduce our main speaker. Now, of course, every generation probably feels that it lives in decisive times. Our generation feels no less. As I mentioned earlier, this budget is something that we have all been anticipating and looking forward to hearing more specifically from our guest speaker. Again, without capable, experienced and well-intentioned people, these plans mean nothing. Today, it is a pleasure to welcome and honour our new Finance Minister, Bill Morneau, and hear from him.

Introduction

On March 22nd, the Honourable Bill Morneau, who has called Parliament Hill his political home for the past five months, delivered in fact his first budget. It has been the talk of the land ever since. The government, by its own account, has big plans to recapture hope and optimism by injecting billions into our economy and investing in our future. Over the next decade there are plans that include things such as spending $120 billion on infrastructure.

Prior to this role, he served in the business world, as Executive Chair of Canada's largest HR services organization, Morneau Shepell. He was a pension investment advisor to the Ontario Minster of Finance for two years beginning in 2012. He was later appointed to the Expert Panel to recommend on Ontario Pension Plan Supplement to the CPP, and he has demonstrated throughout his life and his career also a commitment to community and his intention to better our community. He is the past Chair of St. Michael's Hospital, Covenant House and, as well, the C. D. Howe Institute.

He has also offered his expertise to educational institutions, including the Canadian Merit Scholarship Foundation, The Learning Partnership and the Canadian INSEAD Foundation. He was also instrumental in founding a special school for Somali and Sudanese youth in an African refugee camp.

Ladies and gentlemen, we are delighted. Again, we are honoured that he has taken the time to join us today, and would you, please, join me in a warm welcome to our Federal Finance Minister, Mr. Bill Morneau.

The Honourable Bill Morneau

Well, thank you very much, to all of you for coming out, and I guess I need to start with an apology for all of those of you who are wearing ties this Friday morning because of this. It is a pretty incredible room we have here this morning. It has vastly exceeded my expectations for 7:00 a.m. on a Friday morning. Thank you to all of you for coming out.

I guess I would like to start by saying it is a great honour to be representing all of you here as Canada's Finance Minister, but, as many of you know, I am first and foremost the Member of Parliament for Toronto Centre. For me, it feels particularly good to be addressing a hometown crowd this morning. As you may know, I have been travelling to many places far and wide, so it is nice to be here among so many friends. Sincere thanks for coming out so early in the morning. Before I begin this morning, I would like to thank the Empire Club of Canada and the Canadian Club of Toronto for hosting this breakfast this morning, and I guess I would like to thank Dany for that very kind introduction. I would also like to acknowledge several of my colleagues who are here with me this morning. We have Majid Jowhari, Francesco Sorbara, Rob Oliphant, Nathaniel Erskine-Smith, Salma Zahid and Marco Mendicino. We have been very successful as the Liberal Party in having such a large number of Toronto Members of Parliament, and I am delighted so many of you could come out to join us this morning.

I would also like to thank my friend Charles Sousa, the Minister of Finance for Ontario and all of our colleagues at Queen's Park for being here, as well as anybody from the City of Toronto. I know there are some people from the City of Toronto who are here with us today. I can say that their ongoing collaboration and support is hugely appreciated and a very important issue for us as we try to make a real difference for Canadians.

I want to reiterate how important it is for us as a federal government to be a reliable partner with the province and with the city to be of service to people in the City of Toronto. For those of you who did not hear, you are probably in the wrong room by now, I did release the budget on March 22nd. We believe that this is a first and critically important step in telling Canadians what we are about as a government. And since March 22nd, I have had the opportunity, along with Prime Minister Trudeau and my Cabinet colleagues, to tell our budget story both here at home and around the world.

Earlier this week, I was travelling in Atlantic Canada. I was in Fredericton and Charlottetown and Cape Breton. Yes, Fredericton, Charlottetown and Cape Breton. And, yesterday, I headed to Southwestern Ontario to talk about our budget. Before that, I was in Ottawa and Montréal and the South Shore of Montréal. I have also had the chance to take our message to international audiences.

Last week, I was in New York and in Paris and in London. I can tell you, I have met with economists; I have met with representatives of the financial sector, and I have met with investors from around the world. And I can tell you and I am very happy to report that the reviews on our budget are in, and they have been very, very strong. We are finding that people are telling us— especially, those people from abroad—pretty much all the same thing. They really like what we are doing either over here or up there in Canada. They are telling us that they like what we have chosen to do with our budget.

People are taking note of Canada's new government. You have seen it, and you have heard about it—and of our fundamentally new approach to fiscal policy in this country. I can tell you from Wall Street to the IMF to the OECD and the G20—and even to the little rural village I visited last week in Saint-Valentin in Québec's Eastern Township—people really do believe that we are onto something. I will just give you a few insights of what we are hearing. The *Financial Times* calls Canada a "glimmer of light" for our wise use of fiscal policy in our investments in the economy. They say it is a clear sign of our understanding of exactly what we need to do in these economic times. For those of you who might have been watching, this week, Christine Lagarde, of the IMF, praised Canada's approach by saying that using the fiscal space available to us, but in a manner that is credible, targeted and realistic is the right decision at this point in time.

I believe these people are saying this because our government is focused on doing exactly the right things for our economy and for Canadians at this stage. First and foremost, as I think you have seen, we are focused on people. Budget 2016 is first and foremost about restoring hope for the middle class in Canada. It is about revitalizing the economy and providing support for Canadian families. Even before taking office, Canadians told us to do two things: They told us to invest in people and in families, and they told us to grow the economy for the long term, so that is what we set out to do. But, for me, the first thing we did was we set out to listen.

In January, I crisscrossed the country speaking to as many people as possible across the country about how we could work together to grow our economy. And I can tell you, we heard from about a quarter of a million Canadians, and we believe it really worked. In places like the Eastern Townships and rural Manitoba, people told us about the importance of high-speed internet in rural communities for small businesses that are trying to compete locally and globally. From Dalhousie University, where we held a town hall for students to the University of Calgary, students told us about their struggles with debt and the opportunities—they are concerned about their opportunities after their graduation. We addressed much of what we heard in those consultations in our budget. Solutions to many of these problems are now part of our government's plan. We like to think that we heard Canadians, and we followed through with this, our first budget.

But, more broadly, in all parts of the country, Canadians talked to us with passion about their livelihoods and their concerns for their communities. Most of all, they talked about their kids, and they talked about the future that they hoped to provide for them.

At the core of our plan is the notion that, when you have an economy that works for the middle class, you have a country that works for everyone. That is why in December, at our very first opportunity, we cut taxes for nearly nine million Canadians. With our budget, you will have seen that we took even bigger steps to put more money directly back in the pockets of families with children through the new Canada Child Benefit. It is a plan to help families more than any other social program since the introduction of universal healthcare. It will give 9/10 families with children more money every month to spend on everything from school supplies for their children or healthier food for their families.

We believe that by targeting our actions to those who need it most, we not only strengthen the middle class in our country, but we know with this new benefit that we are going to lift hundreds of thousands of Canadian children out of poverty. And, for us, we believe that that is real change for Canada. But, in addition to providing direct help to families, we need to make strategic investments in order to grow the economy for the long term, and we know that we need to better position Canada for the global economy of tomorrow. That is why we have to look at all of the investments we make today in the context of how they will help us to build Canada's future.

We have committed that over the next ten years, as Dany mentioned, our government will implement a $120 billion infrastructure plan that will help reshape Canada in the 21st century for our children and our grandchildren. As an immediate first step, we announced in the budget that the first phase of our infrastructure plan invests $11.9 billion over the next five years. These investments will accelerate our transition to a low-carbon, clean-growth economy. They will help us to make traffic flow more smoothly, to create and repair affordable housing and so much more. I know you are here at 7:00 a.m. in the morning to hear also what this means for the City of Toronto, so I want to say to start that I am willing to bet that, not this morning, because you got here so early, but during the past week, probably virtually everyone in this room has been stuck in a traffic jam at least once. We want to try and do something about that together with our partners in the City of Toronto and the province.

Mayor John Tory has made a compelling case for keeping public transit as a top priority for Canada's biggest city, and, by extension, we can see the same for all cities that are coping with fast-growing populations and what we see as aging transit systems. So, to start, Toronto will be eligible for a portion of the $3.4 billion Public Transit Infrastructure Fund, and $1.49 billion of that will be invested right here in Ontario.

We have also committed to tying our funding levels to ridership. This is significant, obviously, for a province that accounts for 44% of all public transit ridership in Canada and where over 1.5 million people take some form of public transit every single day. We know that the money is going to help Toronto make needed upgrades, which could include purchase of new subway cars, low-floor busses and streetcars. We are also taking a first step on a new high-frequency rail service linking Windsor and Québec City. Over the coming months, we are going to evaluate a VIA Rail proposal that could one day build a dedicated track that will make it easier and faster to get to where you are going from Toronto—whether you are going east or west from our city.

And Toronto will remain eligible for a share of the annual $3 billion for infrastructure projects that have been committed through the Gas Tax Fund in the incremental GST Rebate for Municipalities.

By now, you know that people and infrastructure are at the heart of the plan that we have put forward to Canadians. Perhaps, the greatest untold story of our budget 2016 is that it takes a huge leap in positioning Canada in the global economy of tomorrow, an area where Ontario is leading the way in many respects.

In my budget speech in the House of Commons, I use the example of Waterloo as a model that Canada can and must build on. Yesterday, I was in Kitchener-Waterloo to meet with Communitech. Many of you will know Communitech. It is an industry-led innovation centre that is dedicated to fostering and supporting tech communities in the Kitchener-Waterloo region. The ideas generated from there will inform future investments and programs that support startups, small- and medium-sized enterprises and, in particular, women in technology.

Even closer to home, we have another centre doing similar work, the Ryerson Digital Media Zone or the DMZ, which is another shining example of a successful incubator working to support entrepreneurs in our city. The leaders of these organizations can see what is coming in the future economy, and they know, as we know, that making Canada more innovative will truly require all hands on deck. Communitech and the Ryerson DMZ have tapped into a basic truth that we need to face in our country: We all need to be better partners with each other across sectors and disciplines so that together we can build a stronger economy for today and for tomorrow.

We believe that in our budget 2016, we told Canadians that the federal government is ready to do its part in that partnership. In the next year, we are going to define a bold, new innovation agenda that will position Canada as a centre for global innovation. We want to be at the leading edge of the changes happening in the global economy, not just because it is good for tomorrow, but because it is good for today, for people living here and working here.

To get things started, our budget 2016 really covers the Waterfront in support of post-secondary education and institutions. We have targeted students as well as the places where they study. One of the important measures we put in our budget is it will increase Canada's student grant amounts by 50% for students from low- and middle-income families and for part-time students, and we committed to investing $2 billion over three years for a new Post-Secondary Institutions Strategic Investment Fund to modernize on-campus research, commercialization and training facilities.

We have also committed to investing an additional $95 million in discovery research through the granting councils, the highest amount of new annual funding for discovery research in more than a decade in this country.

Finally, we take a page from Communitech and MaRS here in Toronto and Ryerson DMZ by working with stakeholders to identify and build on regional strengths in our country. We have committed to providing $800 million to support innovation networks and clusters across our country. We believe this is a good start on a new agenda. We know that we need fresher, broader and more collaborative efforts to embrace the innovation opportunities that change brings. We know that working together is the Canadian way.

The public sector needs to work together with the private sector to help to create the conditions for success for all. I know that many of you know this and that your organizations are already actively engaged and involved in the research and development space, but I will say here that we need to do more. Business investment and research and development are absolutely paramount to our success. I am calling on you as well as business leaders from across the country to work with us as we take on this challenge. With your help, we know that we can put Canadian-made ideas, products and solutions in the storefront of the new global economy. We are confident that this approach will bring around economic growth now and for the years to come, but a big part of our budget is we know that this will all be for naught if all Canadians and if, especially, those Canadians in the middle class do not benefit from our shared success as a nation. After all, how we treat our most vulnerable people in our society is really a measure of what kind of society we choose to be.

In our budget, perhaps, the best example I can give you of our renewed efforts to ensure that we are helping the most vulnerable is our efforts to ensure that Indigenous peoples share in Canada's prosperity.

I will start by saying what we all know: It is simply unconscionable that we live in a country where children live without access to clean drinking water.

In addition to very significant investments in education, both on and off-reserve, we are going to take important steps to put an end, finally, to boil water advisories on reserves by investing nearly $2 billion in water and waste water infrastructure.

We know that we have some other communities that desperately need our help. We have committed to doing more for veterans in our country, the men and women who have dedicated their lives in service of our country. They have earned our gratitude, our respect and our support, so we are working to make sure that we take care of them when they need it most.

We are also providing significant support for affordable housing. This is an issue of critical importance in my riding of Toronto Centre, but really across the GTA. I can tell you that when I was Chair at St. Michael's Hospital, I was continually struck by the link between proper housing and health outcomes. Doctors would tell me point-blank that the road to healthier communities, especially, for our most challenged citizens, would always be through affordable housing. I can tell you that that made a real impact on me. Some numbers are probably helpful in this situation for all of us to understand. Right now in Toronto, about 265,000 people live in social housing of some kind, including shelters. You may not know it, but there are nearly 95,000 people on a waiting list for affordable housing in our city. That is equal to the population of Belleville. The number, unfortunately, is rapidly rising, and it is rapidly rising especially amongst seniors in our city. So, you understand, the average family is waiting up to four years to access affordable housing and, of course, that is an average, so, in many cases, it is actually much longer.

Well, in our budget, in budget 2016, we have committed to investing $2.3 billion over two years in support of affordable housing. This includes doubling our support for the investment in affordable housing initiative with an additional funding of about $504 million over the next two years. The funding will help to support low-income families as well as the construction of new affordable housing units and will also be renovating and repairing existing units across the country.

We are also providing $200 million in dedicated funding specifically targeting seniors in our country. Finally, and very importantly, through partners at the Canada Mortgage and Housing Corporation, we are going to establish an Affordable Rental Innovation Fund, providing over $200 million over five years to test new ways to encourage more construction of affordable rental housing in our country.

This investment is expected to support the construction of up to 4,000 additional affordable rental units in our country. Beyond that, we are going to work together towards developing a long-term solution that aims to help the social housing sector be more self-reliant. We look forward to consulting with Canadians on a new national housing strategy.

I can tell you that I am personally committed to this initiative as I know my colleagues are from across the country. As people in Toronto know better than anyone, our commitment to the most vulnerable is critically important. What I can say is that our commitment to the most vulnerable does not stop at our borders, and it truly has not over the last year. I am proud of the fact that our community has emerged as a shining example of a welcoming nation to nations around the world.

Over the past few months, we have all been touched by the outpouring of support that this community has shown to Syrian refugees. The efforts of people like my friend here, Mohammad Al Zaibak, who has co-founded Lifeline Syria and countless others, represent the very best of our country, and I want to thank so many people in this room for all that you have done in this area.

In our budget, in the spirit, we have taken additional steps to welcome newcomers to our country, which we know are also vital to the Canadian economy. In fact, we intend to welcome 300,000 new permanent residents to Canada in 2016, which is the largest number in a century, and many we know will choose to make Toronto their home.

We are also going to step up our efforts at family reunification, which we know is so important for families. And, through that, we expect to see 20,000 admissions this year under the Parents and Grandparents Program.

Budget 2016 is really just the beginning of our new government. I want to conclude by reminding all of you why we are doing all of this: When I was in London, in Paris, in New York over the last week, and when I had the opportunity to represent Canada at the G20 meetings in Turkey and Shanghai, I realized that the global consensus is almost exactly what Canadians are telling us right here at home: Investments in the economy are needed now more than ever. We find ourselves in a very lucky position because we are at a time in our history where we have both the capacity and the willingness to act to make the future better for our children and for our grandchildren. We believe that we need to seize this opportunity. We cannot afford to let it go.

Thanks to leadership in our federal government in the 1990s and the 2000s, Canada now has a very manageable debt situation. Our federal debt to GDP is low. It is the lowest in the G7 countries, and we have committed that, by the end of our mandate, it will be even lower than it is today. Combined with very low interest rates, this means that we can make the necessary investments to strengthen our economy with confidence and in a responsible way.

I will say that having the capacity is not enough. We need to have the resolve to follow through on sustained and strategic investments guided by a vision of a future in which all Canadians have a real and a fair chance at success. This is our government's central mission. We are choosing to take advantage of an historic opportunity to invest in people, to invest in our economy and to prepare Canada for a brighter future. Of course, we recognize that this is only the beginning of our work. We have so much more to do together, but we know that there is no limit to what we can achieve as a country together.

I want to say that I am so happy to be here this morning and that I look forward to working with all of you to make sure that Toronto and Ontario and Canada live up to our enormous potential. Thank you very much for coming out so early this morning, and thank you very much for being part of this new effort to make Canada better. Thank you.

Questions & Answers

Q: Please, expand on the rationale for going into deficit. That is something, obviously, that is at the top of everybody's mind. What, ultimately, is the government trying to achieve by taking on these deficits in these times and running deficits in the context of what you have proposed? How are we all going to see that return on our investment sooner rather than later?

BM: This morning I found out that you have only 35 seconds to answer your questions. I suspect you will indulge me for longer than 35 seconds. I would like to reiterate, really, what I just said. We look at an era that we have been in. We have been in an era where growth has been relatively weak. We look at the demographic challenge that we are facing as a nation. We are in the challenging situation where the number of retirees versus workers is changing dramatically, and that will present a challenge for us. We recognize that Canada, as a country, is not as productive as it should be. When you compare us to other countries, we are not as productive as the United States or a number of other G7 countries.

We also look at the environment that we are in: As I mentioned, we have the lowest interest rates in history and the fiscal capacity of Canada, which is very well understood outside our borders or by rating agencies, is very strong. We have the lowest net debt to GDP. It provides us with a fiscal capacity to do something about this low growth environment. We are committed to making investments that will help us to grow the economy. We know that these investments need to do two things for us: They need to ensure that we are actually going to create a more productive economy over the long run, so they actually need to enhance our growth rate, and we really hope that what they will do is they will help us to, in the shorter- and medium-term, get more and more Canadians working at a time where we can afford to spend on those things.

Our commitment is to making investments that will do just that. We believe that making these investments in infrastructure will make the base of a society that will allow us to get people and goods and services to market more rapidly, creating more productivity. They will help people's lives along the way. We believe that by investing in innovation, in students, in research, it will help us to create a more productive economy for the long run. As I said, there is consensus that this is the right thing to do in this economic environment. What we will commit to do is remain fiscally prudent along the way. We are going to be carefully focused on ensuring that net debt to GDP, which is a very important measure, declines over the term of our mandate, and our expectations will be able to generate a rate of growth that is stronger than would have been otherwise by making these investments.

Q: You touched on, again, some critical factors there, which are productivity and growing the economy. A key to that, obviously, in the experience of these people in this room and, for many of us, is the investment in cities. You talked a little about the investment in Toronto public transit, but can you tell us a little bit more about the role of cities, productivity and that investment? Can you give some more specifics on what you are thinking on that front?

BM: Well, I can tell you two things. First of all, our efforts to work together with cities and provinces will be exactly that, to work together. We are going to be collaborative in our efforts across the country. We recognize that the federal government should not be in the business of choosing the projects to work on. It needs to work together with partners that actually are on the ground and close. The goal is to ensure that the places where Canadians choose to live are increasingly more and more productive. We recognize that in a city like Toronto, the investments in public transit, as an example, have not kept up with the pace of population. We are stepping forward to say that investment is required, and it needs to be collaborative, and then we are going to work together to make sure that we have not just a federal investment, but it is a federal investment combined with provincial investments, combined with city, municipality investments and, hopefully, combined with investments of institutional investors, so we can find a way to amplify our investments over the course of time. That is our goal. That is the base from which we want to create a more productive society, so, as a foundation, people need to be able to get to work on time; as a foundation, we need enough affordable housing, so people who are working in these cities have the capacities to find a place to live.

From there, we do need to think about what is the way that we build more productive environments. We identified Waterloo for a reason: The nexus of the University of Waterloo and the University of Wilfred Laurier—Waterloo with its co-op program, together with research institutes like the Perimeter Institute doing basic science, together with really great firms that have been built there and have helped to create really great jobs, firms like BlackBerry and OpenText. These firms have really made a real difference there, so we want to, on purpose, go out to try and find a way to encourage that to happen across the country in a way that may have happened organically in Waterloo, but we want to make sure that we have the opportunity to do this in other parts of the country, using federal activity to stimulate that opportunity around the country. We think that is going to help Canadians to have the kind of exciting and innovative jobs in the future that we know will be important if we want to be a country that is at the leading edge of technological change.

Q: **We have got some great institutions here that maybe could partner with you, so if we could help facilitate any of that this morning, let us know. Again, just to elaborate a little more on this as you have kind of taken us through your remarks from broad to more specific and you have talked about housing. There does seem to be an emphasis on this basic building block of the family here in your budget and the overall vision of the government. What is it that brought you to that sort of mindset and that framework when you are looking ahead to this budget and the future?**

BM: Well, we believe that as we went around Canada in our campaign, we had Canadians on side with us in recognizing that we have to have a society that, as we get more wealthy collectively, ensures that that goes to all parts of our society. If we look at what has happened over the last generation, we have had a situation where as society has gotten wealthier, it has not gone to all cohorts of society. We have focused on middle-class Canadians that have not seen the same income growth over the last generation as other parts of society, and we have asked how can we help out. Changing tax rates for the middle class was focused on that. Rethinking our Canada Child Benefit so that, to put it bluntly, I was getting a universal child benefit for my children that were under 18. In my estimation, I am probably not a good target for that child benefit, so we rethought that child benefit, so that we could take the money that we were spending and spend it on Canadians that really needed it—so Canadians that were earning less income and that had more of a challenge. That is what we have done.

We are looking at things like housing in our country. It is just a recognition that the housing stock for affordable housing in our cities have not kept up. Not only has the renovation and the rebuilding of those structures not kept up, but the new, affordable housing is just not there. The statistics that I just mentioned in my speech, the 95,000 people on a waiting list in Toronto, are not good enough. We have people across our city who are struggling to find places to live. We think that finding ways to encourage people to build more affordable housing and finding ways to ensure that the affordable housing we have is acceptable for people to live in are an important building block, because people are not going to be effective, productive members of our economy if they do not have a place to live and if they cannot get to work. These are the starting points. From there, we are going to work on helping the students of today become the innovators of tomorrow by thinking about how we can ensure they stay in school and how we ensure that we are innovative in building research organizations that can really take on the global challenges that we need to take on to be the country that we want to be in the future.

Concluding Remarks by Dr. Gordon McIvor

Minister, it is a rare occasion, like Dany mentioned, to have this many hundreds of people gathered so enthusiastically this early in the morning to hear any speaker. And it is a tribute to you and the message that you bring to this room that it is so full today. Canadians, we would agree, have reacted really favourably to this first budget with its commitment to increased investment in innovation and technology; to the new emphasis on clean energy initiatives and reduced carbon footprint and to the realization of large infrastructure projects in areas like transit, water, waste management and housing. All of these are fundamentally important to the well-being of our economy. And I was particularly so pleased to see a commitment to a finally take seriously the many issues associated with living conditions in Aboriginal communities. Some of these issues are not always considered to be politically sexy, but most Canadians understand that they are extremely important, and that is why we believe they have lauded this budget's unwavering commitment to ensuring that these areas are tended to, and that gives us a strong base for future growth.

Minister, I think that you probably are quite aware that these are two really old Clubs. I think they might, in fact, be among the oldest clubs in the country. They both existed for well over a century, and, throughout the years, have served an important role in Canada's national dialogue. The Canadian Club states, for example, on its home page that before instantaneous news coverage, prime ministers used the Club to reach out to Canadians, particularly, in times of crises like war, for example. Our records at the Empire Club, show exactly the same thing, and we even, actually, recently discovered that in times of old, all new Members of Parliament were given copies of all the speeches from our Club to help orient them in the new job and help them deal with the myriad of issues that they would be called on to deal with in their day-to-day activities.

Over the past decades, our two Clubs have come together on numerous occasions, but, especially, the co-present finance ministers. That has been a real tradition, and I think that is a clear recognition of the fundamental importance that both of our Clubs attach to this particular document. It is, in many ways, a blueprint for many of the new initiatives and renewed commitments that the country will make over the coming years.

Today's presentation, we believe, is a testament to the continuing importance of these presentations and the fact that the government still sees a role for us in helping to reach all Canadians across the country. Dany talked about instantaneous communication and social media. Certainly, that gives people a wider choice on how they receive their news and social media, and it has allowed our Club to bring the messages that we have not only to people across this great country of ours, but right now we know that there are hundreds of thousands of people that listen to most of these speeches around the world through our global webcasts and podcasts. It is an important reach out. For this to happen, of course, though, the content must have three things: It must be critically important, interesting and relevant. Your presentation today scores extremely high in all three of those categories.

On behalf of our two Clubs, it is, therefore, my great pleasure and honour to sincerely thank you for your visit here this morning. And we wish you much continued success as you take this message to our fellow citizens across the country. Thank you, Mr. Minister.

It is unusual to do the toast at the end of a speech, but we are about to begin breakfast now, so, ladies and gentlemen, would you, please, join me and raise your glass and perhaps even stand for five seconds, and could we have a toast to our great country, to Canada.

Please, be seated. I would like now to also do a draw for the Empire Club. The winner today will receive a one-year membership to the Empire Club, which is our tradition. It is Robert Deluce! Congratulations!

Ladies and gentlemen, this ends the formal part of our proceedings this morning. On behalf of my colleagues at the Empire Club of Canada and the Directors at the Canadian Club of Toronto, we want to thank you for coming out so early this morning on a cold, spring morning. Please, enjoy your breakfast, and have a wonderful day. Thank you very much.

The Empire Club Presents

ANDY BYFORD
CEO, TORONTO TRANSIT COMMISSION

on

HITTING THE FINISH LINE: THE LAST 600 DAYS OF OUR 5-YEAR PLAN TO MODERNIZE THE TTC

April 15, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen, from the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us either through our webcast or our podcast or on Rogers TV, welcome, to the meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce you to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Andy Byford, CEO, Toronto Transit Commission

Guests:

Mr. Doug Allingham, P.Eng., Executive Vice President, Canada, AECOM

Ms. Mary Fragedakis, City Councillor, Ward 29, Toronto-Danforth

Ms. Angela Iannuzziello, P.Eng., F.E.C., Vice President, Canada Transit Market Sector Lead, AECOM

Ms. Monica Masciantonio, Senior Manager of Government Communications, Research and Policy, Scotiabank; Director, Empire Club of Canada

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Ms. M. J. Perry, Vice President and Owner, Mr. Discount Ltd.; Director of Empire Club of Canada

Mr. Adam Vaughan , MP, Spadina–Fort York

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club. Ladies and gentlemen, your head table.

We are also delighted to have a group of students joining us today. And this week, our students come from the MBA Program at Ryerson University. Students, welcome.

Introduction

The Toronto subway, which for many is, in fact, the jewel in the crown of North America's third largest transit agency, began operations the year I was born, in 1954, and changed forever not only how residents of our city got from point A to point B, but even where they lived and worked and where they shopped—even how they socialized.

A few months before the new subway was about to commence operations, we welcomed at the Empire Club the then legendary Chair of the Municipality of Metropolitan Toronto, Frederick G. Gardiner, who delivered a speech in which this upcoming opening loomed very large. It was, for many Torontonians of the day, the indisputable proof that Toronto had come of age and had a future ahead of it, which would make it one of the great cities of this world.

In this November 5th, 1953 speech, Chairman Gardiner strongly emphasized the importance of the new subway that was about to open and how it would be the cornerstone of the new TTC, and I quote from that speech:

> With respect to public transportation, the Toronto Transportation Commission, which has been a separate authority for 30 years, will be expanded into the Toronto Transit Commission. The new TTC will have the monopoly in respect of public transportation in the whole of the metropolitan area with the corresponding responsibility of providing public transportation throughout the whole of this area. The City of Toronto subway, which is nearing completion and will cost approximately $60 million for the subway and rolling stock will become the main stem of the transit system with its surface lines, trolley coaches and bus facilities, which will provide millions of passengers every

day, all public transportation requirements bringing them across great distances.

Now, fast forward to April 2016, and we see what our guest speaker at the Empire Club this week has called "the least funded transit system in North America," the situation that has led CEO of the TTC, Andy Byford, to become what some have referred to as a squeaky wheel, a man who is not afraid to stand up and fight for what he believes in. He has always transit in his blood to be sure. He did, after all, start his career as a station foreman in the London Underground in 1989, and even his grandfather had been a bus driver for London Transit.

While he grew up in the beautiful city of Plymouth and remains faithful to the Plymouth Argyle Football Club to this day, his career was to take him to the far reaches of the Commonwealth, including a stint as Chief Operating Officer of Sydney, Australia's Rail Corporation.

When he joined the TTC as Chief Operating Officer in November of 2011, he had already acquired all of the operational skill sets to face the challenges of our own municipality's heavily underfunded transit system. He has never lost his focus as he fights for what he truly believes are necessary infrastructure upgrades and investments to allow this great city of ours to continue to grow and to live up to Frederick Gardiner's vision of Toronto as one of the great metropolitan areas of the world.

Now, at last, his call to action appears to have fallen on receptive ears, and, as we heard last week when Federal Finance Minister, Bill Morneau, addressed our Club in a joint meeting of the Empire Club and the Canadian Club of Toronto, funding for Toronto Transit will finally be forthcoming. It is not surprising, then, that Mr. Byford can now come to the Empire Club with a message we hope of hope and optimism.

Now, keeping our city moving on time in a safe and efficient manner is now more than a pipe dream and will help ensure that Toronto continues to hold the position of one of the great and most livable cities in the world.

Ladies and gentlemen, to tell us about the last 600 days of the TTC's modernization plan and what it will look like when it is completed in 2017, please, join me in welcoming to the podium of the Empire Club of Canada for the second time in our history, the CEO of the Toronto Transit Commission, Mr. Andy Byford.

Andy Byford

Well, thank you for that kind introduction, Mr. President. It really is an honour to be back at the Empire Club. Once again, just looking at the placeholder on the table and through the names of the luminaries who have spoken, it is quite humbling, really, to speak in such a prestigious institution. And I had the honour of signing the book with the President earlier on, and that was something that will always resonate with me throughout the rest of my career.

Mr. President, Councillor Fragedakis, MP for Vaughan, distinguished guests, ladies and gentlemen—and also AECOM: Thank you so much for sponsoring this—thank you for, once again, affording me the honour of speaking at this, one of the premier institutions of this great country.

Since I last spoke here, which seems like yesterday, but it was actually back in May 2013, a lot of water has passed under the TTC bridge. Back in May of that year, I stood up to announce the launch of the inaugural TTC five-year corporate plan, a comprehensive top-to-bottom modernization of the company to transform the customers' experience and to deliver a transit system that makes Toronto proud. Three years on, then, and in the penultimate year of that plan, it is good to be able to update you on progress, to celebrate successes to date, to acknowledge where we still have work to do and to outline what is coming up as we sprint to the finish. The plan that I outlined three years ago is what has guided the TTC in the intervening period. Launched to our employees in no less than 83 town hall meetings, it has proved to be the foundation for relentless focus on what we need to do in spite of occasional political turmoil and in the face of relentless criticism. Anchored around seven objectives, five megaprojects and, literally, hundreds of work streams, this plan has transformed the way that we manage our business.

Taking these seven objectives in turn, how are we doing? In the critical area of safety first, I talked last time about the need to move to a new way of managing safety based around a concept of quantified risk. Well, in just three short years, we have made huge progress towards implementation of a modern safety, health and environmental management system, a first for any North American transit. We have developed a risk register to capture and quantify key risks. We have tightened up on all aspects of operational safety, and we have embraced best practice in enterprise risk management to become leaders of all the city agencies in that discipline.

Under the area "Customer," a true passion of mine, I announced changes back in May 2013 to our station management model, promising a new focus on the customers' experience. I am hugely proud to say, and I am hugely proud of the fact that customer satisfaction is at an all-time high on the TTC, increasing by statistically significant five points, year on year, between 2014 and 2015 and maintaining that high as we proceed into the first quarter of this year. We are onto our fourth iteration of the customer charter, a charter that has now delivered over 80 time-bound promises to our customers.

On people, I stress the need for a new way of managing and motivating our employees, the most valuable asset we have. Here, I would describe our progress as nothing short of phenomenal, and it was great to hear from the table.

M. J. was just saying that you, yourself have noticed that the staff just seem to be more motivated. We have delivered four four-year negotiated deals with our unions, without recourse to arbitration and within our financial mandate. We delivered an employee version of the customer charter setting out mutual expectations of managers and employees, and we carried out the first ever employee engagement survey to gauge the prevailing mood of our workforce.

This has given us invaluable insight into what we need to do and what we need to address to truly motivate our team, so that they excel in customer service, to give them the tools to do the job and to unlock their potential to excel. With huge change underway and more to come, and more about that later, we recognized the need for dedicated change expertise, so we went out and recruited a top change practitioner to help us imbed change and to ensure that improvements are sustained going forward.

Our Change Director represents two other areas of huge progress. The Director, a lady called Jody Humble, came to us from Deloitte's, a world-class company and not the kind of place that people used to leave to join the TTC. Jody is also an increasing number of women in an ever more diverse TTC. Back in the day, back just a few years ago, as little as five years ago, the TTC had never had a female on the executive. Well, we now have 30% female representation on our executive, and it is not uncommon for men to be in the minority at meetings. Whatever next? There you go.

With assets, the 2013 challenge was twofold: To make what we currently have work more reliably and to achieve a step change in system capability. The key to reliability is attention to detail. Greg knows all about that with our sister organization in GO. We have changed the way we manage roots, ensuring that our procedures are customer- rather than process-led. Bus reliability is up. Streetcar reliability, ditto. Emergency alarm activations on the subway are markedly down. Subway punctuality is up, and we have delivered reductions in Line 1 delayed minutes and overall incidents of 25% and 11% respectively.

How is this being done? Better management for a start. New blood has been brought in to head up the subway and our surface roots. Our focus is changing from fix on fail to fix before fail. We have developed root supervisors to actively manage what goes on and about the street. The dreaded short turn. You know all about that in Toronto? Well, three years ago, people still told me that short turns were a fact of life; you could not do anything about them and that bunching was inevitable. Rubbish. I engaged a new Chief Service Officer. We brought him in from Boston. He had a specific mandate for me: Eliminate short turns and eliminate bunching. And, so far, we have reduced short turns on Queen, for example, by 90%, *nine zero,* tangibly improved service for bus and streetcar patrons.

Our growth objective has faced challenges. We opened the second platform at Union before the Pan Am

Games, as promised, with our excellent contractor, Ellis Don. We now have a stunning, state-of-the-art streetcar down on the Lakeshore.

Not disappointingly, our new streetcar fleet numbers less than 20, and last week's news that Bombardier has just released their North America CEO, tells me that all is still not well at Thunder Bay. But, on a positive note, the 17 cars that we *do* have in service are spectacularly reliable and very much appreciated by our customers. And their Toronto Rocket cousins on Line 1—the rocket trains—are achieving reliability figures on par with the world's best. They achieve reliability figures on par with the best Asian metros.

The Spadina extension will now open in 2017 after it proved impossible to overcome issues dating back to its inception. But just wait until you see what Toronto and York are going to get in terms of a spectacular railway extension.

On financial stability—and Doug touched up on this earlier—there is good news to report: Our three-year record of lobbying or being the squeaky wheel, our three-year campaign came good with a record investment in transit by Mayor Tory and City Councillor Fragedakis at the fore. Thank you for your support, enabling us to deliver a huge expansion in service, including—wait for it—earlier Sunday service on the subway. There you go.

On the capital front, we await with bated breath the dollar amount that Ottawa says is coming our way, and we have calculated around $850 million because, for the first time, the allocation will be based on ridership, not pro rata. Adam, as a member of the government, I really salute you for that. That is a huge step forward, and that will transform this city as we apply that funding to projects that this city desperately needs.

Finally, reputation, the seventh objective, is really driven by how well we do on the other six objectives and our ability to get things right, at least for most of the time. The fact that we delivered a flawless Pan Am Games was a real step in the right direction. We just need to make that level of service the norm.

Three years in, what remains to be done? Well, job one for me this year is to finish off the rollout of Presto with our partners at Metrolinx. Around 30 stations are now Presto enabled, including Main St. station that features the new style automatic gates. All streetcars accept Presto, and we have introduced all-door boarding on all 11 routes of the TTC, key initiatives to speed up service. Now, we will finish all the stations by the end of the year and the bus fleet—around 2000 buses and Wheel Trans—thereby delivering smartcard and the efficiencies that Presto will bring one year ahead of schedule.

At the turn of the year, tokens, transfers and tickets will be confined to TTC history, and our collectors will vacate their booths to offer a friendly, proactive service out in the station with their customers. The year 2016 will see all stations Wi-Fi enabled by the end of quarter one and cell service on all stations by the year end. This year, we will complete construction at the TYSSE stations ready for systems installation, testing and commissioning and trial operations, ready for a December 2017 opening.

That new line will, of course, need a new signal system, and that will be the second phase of the new automatic train system currently being implemented on Line 1, the first phase of which will go live from north of Dupont from the fall of next year. Throw into the mix more work to drive up service reliability, more work on culture, further service improvement, and it truly is a sprint to the finish.

Now, of course, this is only the start of the job. There are huge amounts more to do as we move to the next five-year iteration of our corporate objectives. So, working with Metrolinx and our partners at City Planning, there are a whole raft of other projects to now deliver. Our next five-year plan, under development now, has an equally impressive checklist and suite of projects to get started with: The Scarborough subway extension, SmartTrack, the Relief Line, Waterfront LRT, Crosstown. All must be progressed if we are to maintain the momentum and consensus that seems to have finally been achieved. And the TTC will be front and centre in each of those signature projects. Further ahead, we are developing a master plan for the complete route modernization of Line 2—new trains, new signals and potentially a new yard.

More immediate challenges remain. Our service is not yet as robust as it should be as we continue to grapple with ever-aging infrastructure and ever-rising customer numbers. And I *cringe* every time I see customers being loaded onto shuttle buses for unplanned closures. We must continue to drive down the root causes of failure. Difficult issues must continue to be tackled. No one likes subway closures, but they are essential if we are to give our crews the time and space that they need to replace worn out track and signals. There remains a small minority, and I stress that, *a small minority* of employees whose actions embarrass us from time to time and that have not yet embraced the new customer service and accountability paradigm. We will continue to cherish, support and stick up for the overwhelming majority of TTC staff who do do a good job and who do set out every day, day in and day out, to delight their customers and to deliver excellent service. But we will not let poor performance off the hook, especially, the few that break the rules and provide fuel for our critics.

Mr. President, we are delivering change to the TTC on an unprecedented scale, a five-year transformation that would take most organizations double that to achieve. And all this—and I am going to repeat it again—all this on what is still the lowest subsidized transit in North America. It is for that reason that I call the much maligned TTC staff our miracle workers, and I want to salute and thank them for what has been achieved thus far.

Now, let me just finish by describing a future journey on the TTC. Just imagine this: You arrive on a modern, spotlessly clean articulated bus at the state-of-the-art, architecturally stunning station that does not currently exist on a subway extension that is not yet a reality. You use your Presto card at the all-new gate line to enter the station, and you are greeted by a customer service assistant in a new uniform—probably with an iPad to give you information on what you need and to tell you where you need to go. You go down to the platform on what is, of course, a fully-accessible station to make a phone call while you wait the short period for your train to arrive. An immaculately clean Toronto Rocket train pulls in, one-person operation in automatic mode. It leaves on time, and you arrive at your interchange ready to seamlessly transfer, again, using your Presto card onto a low-floor, air-conditioned streetcar.

It sounds utopian, does it not? Well, it is not a dream, Mr. President. This will be reality in less than 600 days as we drive relentlessly to the finish line in a transit system that makes Toronto proud. Thank you.

Questions & Answers

Q: Obviously, what happened in Belgium a few weeks ago must have had you wincing and grimacing. It is a horrid scenario for anybody that runs a transit system. When things like that happen, is there a reaction at the Toronto level where you actually sit down and go, "Okay, let's check our systems again," or is that already in place so much that you go on as usual?

AB: It is a very topical question, obviously. And it is one that never leaves you. I am a former Operations Director, so you kind of obsess about that kind of eventuality, but also just always try to envisage what could possibly happen. What you should not do is just react to things. You should be being proactive about things. We have very carefully worked through and trained security escalation procedures, so we have procedures to escalate if something were to happen, but we also have various training programs that we undertake and specific actions that we take were the security situation to deteriorate. We take advice from CSIS, and we take advice from our sister organization, such as the Tube.

As someone who was an Operational Manager through the 1980s and the early '90s when the Tube was having all sorts of issues with the troubles in Northern Ireland and as the person who was Operations Director and led the operational response to the July 7 bombings in London—I had to manage the evacuation on southeastern trains—I can tell you, it is something that we are very focused on. I do not want to say much more than that, but it is the kind of nightmare scenario that we never want to have happen here.

Q: (From M. J. Perry:) I am going to ask you to bear with me. This question is from a friend who spent the night in the ER with his mom, so he could not be here, and he did not have the benefit of hearing your speech. In 1890, we had a population, in the country, of 4.7 million. Today, the GTA alone has a population of more than 6 million. In 1890, we had a national dream to span the country with a railway to enhance and spur our economic growth. It would seem our lack of progress on the transit file has to do more with vision than resources or population density. Can you comment?

AB: Well, I think the good news is, I mean, I would like to put a sort of positive response to this. I think we are on the cusp of—and I kind of alluded to it in my few words—a real golden age in transit in this city and not just this city, but in the GTHA, generally, because, think about how many projects are underway—and I talked about some of them: The new vehicles, subway extensions, etc.; what we are doing with our colleagues at Metrolinx; all of the advances on Presto; the fact that lines like SmartTrack, the Relief Line, the Waterfront LRT are tangibly close now. I actually think we are on the cusp of breaking that kind of mindset. And with the government's commitment to infrastructure funding, with City Council's commitments in terms of an increasing operational expenditure on subsidy to the TTC, I think things can only get better. I think the fact that people are frustrated about the congestion in the GTHA and the fact that most people are saying, "Can we just stop talking and start digging," can really be leveraged such that we are on the cusp of a real transformation of transportation in this, not just city, but the region as well.

Q: I am a user of the TTC. First of all, I am wondering what number or percentage of employees will be displaced by these changes? That is number one. Number two, how expensive will the Presto card be, and will it be subsidized? Number three, what will the condo explosion mean to transportation?

AB: In terms of displacement, if what you are alluding to is do these changes mean that people's jobs disappear, what is actually going to happen is that jobs will change. For example, where Presto comes in, there is absolutely no point in having a collector when there is nothing to collect. I was at the division the other day, and the collectors totally get that, because you are not just going to sit there in a booth when there is very little money to collect and there are no tokens, so the job will change. We will migrate; we will re-engineer the collectors into being very proactive, very customer-focused, customer service agents. On the condo issue, condos are a challenge to us. I was just with Councillor Mark Grimes the other day. We were discussing the explosion of condos being built down on the Lakeshore, down in Etobicoke. And to a certain extent, the TTC is struggling to play catch up in places like Etobicoke and places like Liberty Village because there are all these beautiful new condos going up. And I have to say, I look at them and I think, "How the hell are we going to carry all these people?" But we have to bite that bullet, which is why we are introducing bigger vehicles and rolling out more capacity. With the Presto system, the question I am most asked, and I think it is possibly what is behind your question, is "What happens to Metropasses? Will you end up paying more?" No. The Metropass as a product will not be in the form of a ticket, but Metropass will be loaded onto Presto. You will not pay more than you would have had. It will cap out at what you would have paid.

Q: Andy, terrific presentation. Two quick questions. I am interested in your thoughts of why you believe it has taken so long for the evolution of the TTC, particularly, in things like if you want to put a token, it seems you cannot even get a token, multiple

tokens at multiple spots. The other thought I have is what is happening in terms of the relationship between the TTC and Metrolinx to help facilitate the two-hour transit visits that people have when they are coming from the 905 area to the city? This is obviously a concern if we are going to take account of that growing 905 population who have jobs primarily in the city.

AB: To the first question, one of the marks of my tenure has been, "Let us just get on with some of these improvements," so hopefully the list that I read out gave you some indication of that. There was certain things that seemed to me, when I turned up, just kind of nonsense— the fact that, for example, you could not use a debit or credit card, and I was given lots of excuses as to why you could not. Well, could we just get on with it? It is 2012 as it was at that point. We are fast-tracking change. We have rolled out a series of what I call "quick wins," so things like enhanced cleanliness, enhanced information—things that show the customers that we mean business and that we are serious about improvement. Other things take longer, like buying new vehicles, building extensions, et cetera.

In terms of two-hour transfers, it is part of the wider debate about what is going to happen in the future with the GTHA. People often say to me, "Are we going to have integrated fares?" Absolutely, we should be moving towards integrated fares. The good news is that the glue, if you like, the enabler for integrated fares and for things like time-based transfers—which are expensive, but it is the kind of thing that we could look at—or even zonal fares or fares by distance, is Presto. And the reason for that is Presto's big advantage is it is pan-GTHA. It is not just the TTC; it is Brampton, Mississauga, and even Ottawa has Presto. So I think you are about to see as part of that golden age that I referred to, in addition to new services as in new lines, a much more dynamic mix. I like to think—and I am convinced that we can do this—we can leap. Certainly, for the TTC, we can leap from sort of being at the back of the class, right to the forefront in all the various things that we have talked about today.

Note of Appreciation by Mr. Doug Allingham, Executive Vice President, AECOM

Thank you, Mr. President, Andy and head table guests. We are most honoured to have the opportunity to sponsor this event. AECOM is involved in many projects for both Metrolinx and TTC, and we are thrilled to be able to do that. I was going to talk a little bit about those projects, but I did want to mention that I am a long-standing and long-suffering Leicester City supporter, and I can now reveal my allegiance, and that may be an inside joke, but, hopefully, some of you get it.

In any event, I did want to talk about some of the AECOM projects, but, instead, after listening to Andy, I wanted to recognize the fact that he has been a great leader and a great promoter for the TTC. And he has been a driver of improved transit service and for the citizens of Toronto. His focus on service and quality improvements have greatly enhanced the user experience and improved the public perception of the system, and so much that when AECOM is looking at the next five years and we are looking at where to locate our offices, one of the things that is giving us rise to consider coming back to the downtown is the current state of the transit system—both the TTC and the regional system run by Metrolinx. So it is a huge part of our decision-making process. We will be thrilled to come back into the City of Toronto where we think our future employees are, but a big piece of that is a result of the work that Andy and your staff have done. Thank you, Andy. We are pleased to have sponsored this event today. Thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thank you so much, again, to our speaker and thank you to our generous sponsor, AECOM. Thank you, again, Doug and Angela. I really appreciate you being here.

I would also like to thank the *National Post,* which is our national print sponsor and, of course, Rogers TV, which is our national broadcaster. We would also like to thank Mediaevents.ca, which is Canada's online event space, for live webcasting today's event at the global level. Please, follow us on Twitter, ladies and gentlemen, at @ Empire_Club, and you can also follow us on Facebook, LinkedIn and Instagram.

Please, join us again. We have some extraordinary events in the following weeks. We will have a panel discussion on physician-assisted suicide, very topical, called "Navigating the New Canadian Right." That will feature Dr. James Downar; Shanaaz Gokool, who is the new CEO of Dying with Dignity Canada; and Piya Chattopadhyay, the host of CBC Radio and TVO Television. That will be at the Royal York Hotel on April 26th. The Honourable Navdeep Bains, the Minister of Innovation, Science and Economic Development will speak on April 29th, right here in the Arcadian Court. We will have William Charnetski, the Chief Health Innovation Strategist for the Province of Ontario on May the 4th at 1 King West. And we just booked Beverley McLachlin, the Chief Justice of the Supreme Court of

Canada, who will actually be kicking off our sesquicentennial—and I had to practice that word—Canada's 150th anniversary. That will be kicking off on June 3rd of this year as we prepare for our celebrations next year.

Ladies and gentlemen, thank you for your attendance today, and this meeting is now adjourned. Thank you.

The Empire Club Presents

PHYSICIAN-ASSISTED DYING: NAVIGATING A NEW CANADIAN RIGHT

April 26, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Royal York Hotel in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are just joining us either through our webcast, our podcast or on Rogers Television, welcome, to our meeting today.

Before our distinguished speakers are introduced, it gives me great pleasure to introduce you to our head table.

HEAD TABLE:

Distinguished Guest Speakers:

Ms. Piya Chattopadhyay, Host, CBC Radio and TVO Television

Dr. James Downar, Critical and Palliative Care Physician, University Health Network; Program Director, Conjoint Program in Palliative Care Medicine, University of Toronto

Ms. Shanaaz Gokool, CEO, Dying with Dignity Canada

Guests:

Dr. Daniel L. Bain, Chief Investment Officer and CEO, Thornmark Asset Management Inc.

Ms. Jennifer Gibson, PhD, Director and Sun Life Financial Chair in Bioethics, University of Toronto Joint Centre for Bioethics; Associate Professor, Institute of Health Policy, Management and Evaluation, Dalla Lana School of Public Health, University of Toronto
Dr. Gordon McIvor, Executive Director of the National Executive Forum on Public Property, President, Empire Club of Canada
Dr. Philip Hébert, MD, PhD, FCFPC, Professor Emeritus, Family Medicine, University of Toronto
Mr. Gareth Seltzer, Co-Founder, RYOT News; Film Producer and Explorist; Past President, Empire Club of Canada
Mr. Wayne Sumner, PhD, Professor Emeritus, Department of Philosophy, University of Toronto
Ms. Maureen Taylor, Physician Assistant, Infectious Diseases, Toronto East General Hospital; Associate Clinical Professor, Department of Family Medicine, McMaster University

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of The Empire Club of Canada. Ladies and gentlemen, your head table.

We also are very pleased to welcome today a group of students who are joining us both from the Nursing and the MBA Programs at Ryerson University. Students, welcome.

Introduction

The last two weeks have been a strange time in Canada as the unpleasant question of suicide has been on most people's minds. First, there was the horrible news out of a remote Aboriginal community that their young people were attempting to take their own lives in staggering numbers, leading many of our citizens to wonder just how awful living conditions have to be before you actually do not see any way out and want to end you own life. Furthermore, it was apparent from the international media that the whole world was following this story which, not surprisingly, makes many Canadians feel somewhat ashamed.

Secondly, the federal government introduced legislation two weeks ago to legalize physician-assisted suicide for Canadians with serious medical conditions, a bill that is likely to pass, given the Liberal majority in the House. If it does indeed pass, Canada will join Switzerland, Belgium, the Netherlands and Germany as a country where it is henceforth viewed as unconstitutional to deny the option of assisted death to consenting adults who are suffering and have an irremediable medical condition.

Like abortion, the legislation of marijuana and same-sex marriage, assisted suicide is a highly charged issue that no government in the world would ever get total consensus on; furthermore, it is a highly personal issue, one that has no right and wrong answer, but rather widely divergent opinions based on personal belief systems, socio-economic and cultural backgrounds and, of course, religious convictions.

While some attempt to give it a political colour, it is, in reality, significantly more complex and is coloured by many life and personal experiences. Our own Prime Minister Justin Trudeau began to think a lot about this issue as his father, who was arguably the most famous leader this country has ever produced, lay dying in a state of misery as he endured endless aggressive treatments for prostate cancer and Parkinson's disease. My own mother, who passed away last year after a dynamic and very full life, wanted desperately to travel to Switzerland and end her own life with dignity, surrounded by family, after a terminal cancer diagnosis, which she strongly believed would lead to suffering and despair.

Well, the plane ticket to Switzerland was reserved and all the paperwork completed. She died quickly and mercifully without a long period of suffering, but, like so many Canadians before me, it made me do a lot of soul searching on how I felt about the question as I had always believed deeply that suicide was a human attempt at playing God. I do not believe that anymore at all, but certainly understand and respect those that do. In short, it is a deeply personal and a very complicated question.

The issue was discussed at the Empire Club for the first time by former Justice Minister, Allan Rock, who addressed the Club under then Empire Club President, John Campion, on March 24th, 1995, more than 21 years ago. Although the Supreme Court of Canada had upheld the ban on assisted suicide just two years earlier in 1993, this was clearly an issue that would not go away—in part, due to some highly mediatized cases where individuals who were suffering terribly were begging the courts to give them the right to take their own lives, and seeing this refused time and time again, became increasingly difficult to handle. Here is a quote form Minister Rock's 1995 speech:

> As Minister of Justice, I am the Cabinet Minister responsible for the framing of policy relating to the justice system and the developing new legislation in relation to the system. On the justice side of the agenda, the issues which have involved me in policy discussions range all the way from child support to gun control; the use of DNA evidence in the courtroom to amendments to the *Young Offenders Act*; sentencing reform to changes in the *Human Rights Act*; euthanasia and assisted suicide to Criminal Code amendments dealing with prostitution.
>
> Things have changed. Fast forward to the announcement two weeks ago by the incumbent Justice Minister, Jody Wilson-Raybould, and while we are clearly moving, at last, to legalize this matter, there is still a clear recognition, as the Minister has stated on several occasions already, that this whole dialogue and process will be "troubling."

Some see it as barbaric and future evidence of moral decay, while others are equally convinced that it is a hallmark of a compassionate, caring and highly evolved society. Needless to say, reconciling these two camps will be an extremely difficult process in our country, which is why we wanted, at the Empire Club, to run this panel discussion today with Dr. James Downar at the University Health Network; Shanaz Gokool, the CEO of Dying with Dignity Canada; and well-known journalist, Piya Chattopadhyay. And Piya will be introducing our panelists in more detail, so let me get things rolling right now by introducing her as our panelists take their seats on the stage.

Piya Chattopadhyay has been described as a "Swiss Army Knife" for her versatility in hosting of a number of flag-ship shows, such as *The Current*, *The World at Six*, *Metro Morning*, *The Agenda,* with Steve Paikin and many more.

She spent more than a decade in the field as a reporter here in Canada, and has also reported from around the world. Next month will be a big one in her career as she will become the full-time host of a weekly show for CBC radio, and, judging from her past performance, it will be intellectually stimulating and highly entertaining. Ladies and gentlemen, here to moderate our panel today and to introduce our panelists, please, join me in welcoming journalist, Piya Chattopadhyay, to the podium of the Empire Club of Canada.

Introduction by Piya Chattopadhyay

Thanks, Gordon. Just by way of an agenda, I am going to talk with these two until about 1:15 or so, and then we are going to have about five or ten minutes for questions, just so everyone knows that. I think this is an issue that many people have questions on.

Let me just further introduce our two guests today. Dr. James Downar is a critical care and palliative care doctor at the University Health Network and Sinai Health Systems. I think that generally means he works at a lot of hospitals. I think that is true. He is also a teacher and assistant professor at the Department of Medicine at the University of Toronto. James is a graduate of McGill. He has a Master's in Bioethics from the University of Toronto, and he has been on the Advisory Council of Physicians for Dying with Dignity Canada. Please, help me welcome Dr. James Downar.

Shanaaz Gokool is the CEO of Dying with Dignity Canada. Shanaaz is a lifelong human rights activist. She began her activism, her campaigning career in the 1980s, in Nova Scotia. She worked on promoting racial equality and inclusion there. She has also worked for Amnesty International and for the Association in Defence of the Wrongly Convicted (AIDWYC). Welcome, Shanaaz Gokool.

Here we are. Gordon sort of set the stage. A couple of weeks ago, the government has introduced proposed legislation. The federal Liberals have said that this will not be a whipped vote; we will see what comes to pass when that happens, but let me just begin with this broad question for both of you: Just, generally, do you support this legislation, this assisted-dying legislation?

SG: I will start if that is okay. I think we should all remember that this is a historic moment for our country and our organization, Dying with Dignity Canada. We have had the assisted dying file for over 30 years, so if anyone knows that it is a historic moment, our organization certainly does, and I know there are many supporters in the room who have been with us for a number of years, and I thank you; however, if not for the Supreme Court of Canada decision, we would not see federal legislation. There has been no political will. It does not really matter which party has been in power. So, thankfully, there have been some heroic Canadians who have come forward and braved the courts in order for us to have the Supreme of Canada's Carter decision.

I will say that Bill C-14, which has been presented to us, is problematic at best. It does not meet the minimum standards of the Carter decision. For those of you that have been following this, in February, the federal government struck their own Special Joint Parliamentary Committee with senators and MPs to study this. There was a lot of talk during those hearings that refer to the Carter decision as the floor. Well, what we have now is something that is in the sub-basement. We are not at the floor of Carter. If Kay Carter herself, the appellant in the case for which the decision is named after, would not qualify for an assisted death, I think the legislation as it is, we feel quite strongly it is unacceptable. It needs to be amended moving forward. What this government should know is that they have the support of 85% of Canadians who support the Carter decision. But, as I have mentioned, there has always been this disconnect between political leadership and everyone else. For all of you, I hope that are here today and those who may have some discomfort on certain elements that we will discuss further, we know this is happening; it is coming, but the bill needs to be amended.

PC: Just by way of explanation, Kay Carter was the Supreme Court decision. She was the woman who had spinal stenosis, who died last year, right, in BC many years ago.

SG: Yes, a few years ago.

PC: Sorry, the case was ruled on last year. We will talk more about Kay Carter's children because they have views on this legislation as well. James, but just first of all, as it stands, the proposed law is out there for a couple of weeks. Are you in support of it?

JD: I just want to echo some of Shanaaz's concerns. Obviously, there are a lot of political rocks and shoals to navigate with this and trying to build a consensus that will vote for it. The problem is that, when you try to do that, sometimes you will introduce language that will have implications. The language for any law has to be very precise. I am going to focus on sort of two specific problems that I have with this legislation: One of them is that the definition of 'grievous and irremediable illness' includes what one would call a reasonably foreseeable death. I think that has gotten a lot of attention in the media, and appropriately so, because, as a physician, I can tell you that it is actually very hard to decide what that actually means at the bedside. I think anybody alive, depending on how you look at it, anybody alive has a reasonably foreseeable death. In fact, I do not know how you could reasonably foresee anything other than that, frankly. If you interpret it literally, it is potentially meaningless, but certainly open to misinterpretation.

On the flipside, if it is interpreted more narrowly to mean more restricting things to people who are getting close to the end of their life, then that actually is a frank contradiction that is not consistent with the Carter decision, which means that this legislation would be a dead letter. The last thing we want is to have to go right back through all of this, go through a period with no laws and have the courts having to decide our laws. It is really time, I think, for Parliament to grab on to something legislative, to write it down and make a set of rules that we can all work with that are not going to expose us to vagueness or potentially misinterpretation.

PC: We will get into the details. Shanaaz told me the other day, like all legislation, the devil is in the details, and we will talk about some of the things that you just raised there, James, in just a moment. Let me go back to something that Gordon said. This is a divisive issue. We know through polling, the majority of Canadians are on the side with some sort of assisted death legislation. But what that looks like is very different for different people. I want to go back to that there still are people in this country who do not support any kind of a legislation. Some of them are just scared and some of them say or they have other convictions, religious or otherwise. Some people say, "Let's put more of an effort into providing better homecare and palliative care, so we can help with people who are suffering and dying." Other people say this is really pitting individual rights against communal rights. I just briefly want to know what both of you say to that. What is your argument to people who say, "I don't think we should go this way"? How do you frame that, James?

JD: Well, the first answer is simple. The court has actually taken that policy decision off the table. We are no longer asking whether we should or should not legalize assisted dying. The question is should we or should we not have a law. I hope that, regardless of your position on assisted dying, it is probably better to have a clear law than to have no law at all and have people essentially trying to interpret a court decision at the bedside on a case by case basis. I do not think that is a good idea.

The answer to your second question about whether we should be putting more effort into palliative care or home care or better care facilities, yes, yes and yes. But it is not an either/or question. The question about access to assisted dying is a question of human rights. It is not a question of care, even in countries where this is done more commonly and is well accepted. It accounts for maybe 2–3% of all deaths. In Oregon, it counts for 0.3% of all deaths. This is never going to be a public problem or solution to our end-of-life issues. We still need the care that is going to be provided to the 97–99.9% of the population that are not going to go with assisted dying. But there is no evidence to suggest that we have to choose between one or the other. You can have rights, and then you can adequately fund your end-of-life care system, too.

And the studies from other jurisdictions have shown that that is easily doable, and, in fact, when you legalize assisted dying, support from palliative care, support from homecare, all of this skyrockets to a greater degree than it does in other countries so, again, a false choice.

PC: Shanaaz?

SG: I would agree with that, especially, when you look at the case of Oregon. Of the small percentage of people that actually ask for an assisted death, over 90% of them are already in palliative care. They are already accessing the best quality palliative care, and we should not be putting people in a position—and I will bring this up now, because I know it is going to come up a little bit later—where they may have to choose between a faith-based institution, many of whom offer some of the best palliative care in this country, or the possibility of, maybe two weeks in, "I might want an assisted death." I do not think we want to frame the discussion as an either/or matter, but, absolutely, I think everyone that supports assisted dying would support better access for palliative care or for homecare. But we also believe that Canadians should be able, as a human right, to die in facilities in the locations of their choosing.

PC: I want to talk about Kay Carter because last week—well, the federal government says Kay Carter, had she been living today—she suffered from spinal stenosis; she suffered insufferably really—the federal government Justice Minister says she would have qualified under this proposed legislation. Last week, her family, her kids said that is not true: "Our mother would have never qualified for assisted death under this proposed legislation." What do you think of their concerns? Who is right on this? Is the government right as you read this proposed legislation, or is this family right?

SG: I think we should listen to the family. I think we should listen to the lawyers that took the case to the Supreme Court. Certainly, Joe Arvay has come out and is questioning where the governments are getting their legal advice. There is another additional problem with the legislation in the definition of 'grievous and irremediable'. And the court's decision— they qualify what 'irremediable' means. It means 'incurable', for which there is no treatment acceptable to the person. And the federal legislation—they say 'incurable,' but they do not qualify it. Then, of course, we have the whole issue of 'reasonably foreseeable', which either is nonsensical, because we are all going to die at some point, or it is just a de facto way of saying 'terminal'. Her condition, her family has identified, was not terminal. I think James can speak as a medical doctor to that.

What this means is if Kay Carter herself would not qualify for an assisted death, think of all the people who have severe chronic illnesses: MS. You could have a severe neurological degenerative condition, such as Alzheimer's, Huntington's, Parkinson's. A lot of people looked to this decision not as a way of saying, "Oh, yeah, there is going to be millions of people lining up for an assisted death," but it was supposed to provide millions of people with comfort that if they should have a chronic condition that causes them enduring and intolerable suffering, if it gets so bad, there is comfort in knowing I am going to have another option.

This legislation as it is, shuts so many people out. They will not have an option and they will not be able to access an assisted death. I think the government should have listened to Lee and Price Carter last week in their press conference and taken their words to heart because they know the suffering their mother would continue to endure if she was alive today and not able to access an assisted death.

PC: James, take us to the frontlines as a palliative care doctor. The arbiter of trying to decipher this language—how hard is that when you hear the language that is in the legislation which, as you say, is open to a lot of interpretation?

JD: Well, and this is the problem is that it is open to interpretation. I can tell you what my opinion is about Kay Carter's case or anybody else's case. The question is not what I think, but whether what I think is exactly the same as what everybody else would think. It is about consistency; it is about the lack of clarity leading to an inconsistency. If you have inconsistent access and inconsistent provision, that is a problem. In this situation, the fact is that some people will say "No, it is clear; she would have qualified," and other people would say she clearly would not have qualified. Just that information alone tells you that this provision is not appropriate in that law. It really should be changed.

PC: Is there any way, though, to get the language "right," to be so specific and yet, at the same time, broad legislation?

SG: There is a way: Just use the court's language. I think the court's language is pretty clear. Somebody with a grievous and irremediable medical condition for whom no treatment is acceptable or who is facing enduring and intolerable suffering. I think if the federal government just uses that language—because one of the things that we also know is when the federal government went back to the Supreme Court to ask for an extension, the Supreme Court granted an extraordinary provision that Canadians who were waiting for what was supposed to be February 6th, would now have to wait until June the 6th. And to mitigate any harm for somebody who was looking forward to that date in order to be able to access assisted death, such a person could go to courts in their jurisdiction to apply for a judicial authorized death. The courts have been interpreting. There have been a number of cases that have come forward that would not qualify under the federal legislation, but have been qualifying through the court process in the last few months. I think we have to ask ourselves who we are going to trust. Are we going to trust a federal government that does not seem to want to meet the minimum standard of Carter, or are we going to trust some of the courts that have already been interpreting Carter to ensure that people who have chronic conditions can still qualify for an assisted death?

PC: We have got about ten minutes left. I want to get to some of the specifics of this proposed legislation. I want to talk about advanced consent because that is some of the language in this legislation. James, talk to me. Again, as a frontline doctor, what that means—'advanced consent'.

JD: This was something that was recommended in the select committee and in the Provincial Territorial Committee as an option that would be available for people. This would be a situation where you would not necessarily be at the end stage of your illness, but you anticipate, that as a result of your illness, you would not be able at some point in the future to, at that time, give your consent to receive an assisted death.

PC: Something like dementia?

JD: Dementia is the classic example that people bring up and dementia is a powerful example because many of us have had relatives with advanced dementia, and we have seen what that is like. That often leaves people with a very powerful image of what an advanced illness can look like, and many of us have very strong feelings about whether that is a quality of life that we would want or not. That is a situation that comes up in a lot of people's minds. The issue, of course, is that 80% of the classic situations, the cases of assisted dying where people come forward, are situations of advanced cancer. About 15% of the time, it is going to be a neurodegenerative disorder like ALS, Lou Gehrig's disease or some such, and then an assortment of other diseases make up a very, very small proportion. It is this situation, unfortunately, that drives a lot of the discussion—is how we handle the very tiny minority of other cases and how you come up with language that will capture what you think you should allow, but not what you do not think you should allow.

In the case of dementia, the issue is that when somebody who is in front of me with advanced cancer and who is suffering contemporaneously, tells me, "I am suffering so much, and this is not what I would want to tolerate, and I am willing to forego the rest of my life in the interest of comfort," I can be relatively certain that this is what this person wants. I can assess whether this person understands what they are asking for and if they understand the consequences and the alternatives. I feel more comfortable that this is what we would say meets the standards of informed consent.

Whenever somebody is making a decision about the *future*, then there begins to be questions about whether or not they can properly anticipate what their quality of life would be like in a given situation. Now, that is not to say that it is not a valid concern, and I am not making any judgments about what the quality of life might be like when someone has advanced dementia; it just introduces that one element of uncertainty, and some people feel that they are willing to tolerate that level of uncertainty, and others are not.

PC: In the legislation—because it says, the proposed legislation—there cannot be advanced consent. Is that the right move, in your opinion?

JD: To be honest with you, the best answer I can give you is I do not think it should be up to me. This is a social question. This is not a medical question. I can tell you that there are a number of limitations in using advanced consent for any decision. What I can tell you is that we do use advanced directives all the time for making end-of-life decisions, so about a third of the population, before we die, will have a life and death decision made for us on our behalf by a loved one or substitute decision-maker. And they are trying to imagine what we would want in that given situation, so whether that is to stop a certain therapy, to withdraw life sustaining measures—some such decision made on our behalf. We are already making life and death decisions for other people, and, obviously, there is going to be some uncertainty in that. And the question is, is that a level of uncertainty that we are willing to tolerate for this situation as well. That is not a medical question.

PC: Let me ask you, Shanaaz: What do you think about leaving out advanced consent in this legislation?

SG: I think we really want to look at the legislation, understand what it means to be able to have capacity at end of life. Before I get into advanced consent for people with a diagnosis like dementia, let us just look at it from where it is.

Let us just say John has a terminal cancer, and he would like to make a request for assisted death. He does that. He meets with his doctors; he follows all the procedural safeguards; he has got his witnesses; it is all in writing, and then he has an appointment on Wednesday for an assisted death. The doctor is going to come to his house; his family is going to be there, and he is going to die peacefully. On Monday evening, John has a stroke and slips into a coma. He cannot give consent at the time of death. According to this legislation, John may have to linger on without ever being able to access an assisted death. The legislation also calls for a 15-day waiting period. Once again, you have someone who, somewhere in there, may lose capacity and not be able to provide consent, so they may also have to languish on and suffer intolerably because they are not going to be able to give consent.

As we think about advanced consent for people with dementia, what we know is that this is an issue that Canadians strongly support. We have polled on it: 80%. The federal External Panel from the last government polled on it: 63%. Angus Reid polled on it, and did not release those findings in their media highlights just a few weeks ago: 66% of Canadians support advanced consent for people with dementia. What I would say is that what we would prefer to see in this legislation, which completely excludes people, so you quite arbitrarily, if you happen to have this medical condition and cannot control it, are off the table. You will not be able to ask for one when you have lost capacity, and you will not be able to ask for one while you still have capacity, so you have got a cruel choice ahead: Will I take my own life now while I still can, or will I wait and will I have to die in a horrible manner in what I would define as a horrible manner? What this government has is they have a choice to make, and instead of saying that we invite a Charter challenge of some poor person with such a diagnosis to have to show the courage that they are not willing at this point to show, they have a moment here to show courage and to act responsibly. They can commission a study and phase in legislation in three years. Take that time to understand what the processes and protocols that need to be in place are, rather than just saying, "You are off the table."

PC: Let me ask you about another issue that a lot of people have been debating in the last week in this proposed legislation. That issue is mental health. This legislation, as proposed, does not apply to certain people who have mental health issues or challenges. Is that the right move, James?

JD: We need to recognize that mental suffering, mental anguish and psychological psychiatric distress are as valid as any other sort of physical pain or other causes of distress. And very often, people who are requesting assisted death are not necessarily doing so because of refractory physical symptoms, but because of those psychological and psychiatric symptoms.

It is also important not to stigmatize and treat this differently as we are coming to understand and accept that mental illness is real. It is an illness like anything else. It is not just somebody feeling down or having a bad attitude. So, I think part of the way that we treat mental illness in this actually does stem from the old stigmatism that we attach to mental illness as being not a real illness, so it really should not be a real indication for this. That said, it is one of those conditions where there are new treatments coming out all the time. My own brother is a psychiatrist who treats some of these very difficult cases. From talking to him and his colleagues, you can tell that it is not always easy to know when somebody truly is beyond the point where you can offer them something that will help them, and there are a lot of therapies that people do not receive.

At the same time, if it is a younger person, we know this is a big issue for younger people: A young person potentially, if they do receive an assisted death, is sacrificing a lot of years of life as opposed to somebody who has a terminal illness and is going to die in a very short amount of time. We as a society, look at those two situations very differently.

I do not think that there is any legal, ethical or moral reason to fundamentally a priori treat mental illness differently than you would for any other type of illness in this situation. I think it is reasonable to think about different safeguards and, perhaps, a different standard for deciding when somebody's meeting eligibility criteria when they have a primary mental illness. I want to emphasize also, from the other jurisdictions, like in Europe, where it is legal—and this is one of the indications—it is very, very rare. I think it is important not to let this issue dramatically change the way that we craft a law that actually works well for a large majority of people when it does apply.

PC: Just to be clear, in case anyone does not know this yet, the proposed legislation excludes minors. You have to be 18 if this legislation should pass. Shanaaz, we have got a couple minutes left, but where are you in this issue of mental health and the government saying, "Yes, that is not going to qualify"?

SG: I would echo a lot of Dr. Downar's comments. We do not want to further stigmatize people. We do not want to arbitrarily discriminate against a classification of people because they happen to have a certain condition.

And I think, once again, the onus is upon the government not to invite costly Charter challenges for people who are very, very ill. I will sort of backtrack a little. I think what came out of the Special Joint Parliamentary Committee Report back in February, for a number of people, was a little bit of sticker shock, right: "Oh, it is chronic illness!" And "Oh, it is mental illness!" And "It is mature minors," and "It is advanced consent."

What we know is we know that Canadians are having a discussion about advanced consent and their concerns around dementia. There is a lot of support for it. Even within our own organization, the issue of mature minors and mental illness is a fairly new component to the discussion around assisted dying, so I think it is fair to say that rather than just, once again, exclude a whole group of people in perpetuity and invite some 16-year-old who has terminal cancer to go to the court to access what with be their Charter right—and they will probably be dead by the time it gets to court—rather than going that route, the government has the option of saying these are difficult areas: "We do not know all the details; we need to understand the processes and the protocols; let us study it for three years, and we are going to phase it in." The sticker shock will be over, because right now that they are saying is "We are going to review it in five years." I will tell you what is happening in five years: A federal election. No one is going to want to touch it then. They have the opportunity *now* to show political leadership.

PC: Do you ever think that the government may want the courts to decide this? "Hey, this might be the best way. Let us put it in the court's hands?"

JD: Absolutely. I think that is exactly the strategy that many would want to take in this situation because their idea, really, is rather than take on the difficult questions and run the risk of alienating a certain segment of the electorate, they will say whatever they think they need to say while understanding that the courts are going to strike it down anyway. I really hope that is not the attitude that ends up being taken, because I think that is an abrogation of our responsibility. People decry the sort of legislating from the bench and the court's doing the job of parliament. If the courts are doing the job of Parliament, that is because parliament's not doing its job; and the job of an elected representative, frankly, is to either lead or represent the population and not simply to pass the buck onto somebody else and pretend like they did not really have a say in the matter. It is a mark of a responsible democracy that we take ownership of this and do our jobs.

PC: Shanaaz, just before we wrap up and open it up to questions, June 6th is this deadline—whether or not that stays the deadline for the government remains to be seen. Again, at this point, they are saying it will not be a whipped vote. But if this proposed legislation does not change, will Dying with Dignity Canada support this?

SG: What I will say is that all Canadians need to be reminded that this federal government came into power with the promise to both uphold the Carter decision and to respect and not bring any legislation to the House that was not Charter compliant—the Charter of Rights and Freedoms. I think it would be very difficult if there are no substantive changes to ensure that the legislation meets the minimum standards of Carter and includes other provisions, so that other groups of people will be just arbitrarily excluded for our organization. But I would also say to all of you, I think it would be very difficult for Canadians to accept that they have put forward legislation that does not meet Carter and does not meet the Canadian Charter of Rights and Freedoms.

PC: Thank you to you both. Clearly, this is a difficult issue, still difficult moving forward, and we will see where it all goes with legislation. Thank you.

Q: I was interested that the President of the Empire Club referred to this as "assisted suicide." Could we, please, drop that phrase. This is not "assisted suicide." It is assisted or aid in dying and I would appreciate it if the panel might comment.

SG: That is a really good point. I think in the last year, certainly, since the Supreme Court's decision, we have actually seen a massive cultural shift in attitudes around death and dying. For our organization and for some people who have worked in our organization for years, trying to shift the language over to reflect what we are really talking about, helping suffering people to die, has been a monumental struggle. But we have seen it, and we have seen it in the media, and language matters, so that when we were discussing this issue, I appreciate and take the reference to Attawapiskat, but that is not what we are talking about. We are talking about people who are suffering intolerably and who need aid in dying. Thank you. Thank you so much for that point. It is really important.

PC: What is the preferred language of your organization, 'assisted death'?

SG: We use 'assisted dying'. Certainly, the language of the court was 'physician-assisted dying', 'medical assistance in dying'. I think the most important word in there is 'dying', and there will be different, hopefully, with this legislation, there other healthcare providers who are—

PC: Not 'death', but 'dying', 'assisted dying'.

SG: 'Assisted death', 'assisted dying'.

JD: The palliative care community is sometimes concerned about the use of an 'assisted death' or 'physician-assisted dying' or 'medically assisted dying' because sometimes that gets conflated with what often happens in palliative care where there is a medical person assisting you as you die. The term 'physician-hastened death' or 'medically hastened death' is one that is being put out now by the palliative care community, so I can throw that alternate terminology out there. But if you wait another six months, we will have another term.

PC: Any other questions?

Q: I am just wondering if the individual who is interested in assisted death is the only person who has to be asking for it, or is there a group or a panel? Does the doctor have to agree? Does the family have to agree, or is it an individual decision that can be made?

JD: The request has to be initiated by the patient. At the moment—and I can broaden it what will likely be the case under legislation—the request would be brought forward or be made by the patient. The physician would have to assess this patient and make sure that this physician feels that the patient meets the criteria. In every jurisdiction, there is always a second opinion: Somebody else who is independent has to come along and also agree. There are generally witnesses involved. There is a general advice to inform relatives and family members of the patient, but not an absolute requirement—except, currently, there is a general sort of push in the Ontario Interim Guidelines to inform family members. I think, if you can imagine the scenario of a loved one that may be estranged from a family member and then get a phone call form an institution saying, "Please, come and collect your relative's things," you can understand why that might be a very difficult phone call to receive and why legislators would want to build in things to prevent that from happening. On the flipside, you have to understand that sometimes privacy does reign and it is actually up to the patient to decide what they want to share with their loved ones and why. We can advise, and I will always beg a family member, "Please, let me call your loved one." And this is not just an assisted death situation; this is in any situation where somebody is dying. I will always want their family members to be aware, so that they are not finding out after the fact. It is a tough situation.

SG: I will also add that I think the one thing that the Liberal government did not do, which I think the Conservatives would have done—because pretty much the bill looks like it was written by the Conservative Party—is that they did not include a provision for prior review, a judicial or tribunal review. This is something that opponents of assisted dying really want in the legislation. It really is a private healthcare matter between the person, their family if they choose and their healthcare providers.

Q: **My question is about advanced care plans. I have been told that the advanced care plans that we are preparing now are useless to a physician. What can you tell us about what you need to make this work better?**

JD: A written advanced care planning document is not a legally binding document, which means that it is a set of instructions that your team is supposed to try to follow in the event that you are not able to make decisions for yourself in a time of illness. It is an instruction to yourself, to decision-makers—so your loved one—but subject to whatever other medical options. And your loved one and the medical team are supposed to work together to try to make a decision and effectively recreate the decision that you would have made had you been there. It is not what the doctor wants, not what your loved one wants; it is what you would have wanted.

We know that the documents, from a lot of research, are not that good at telling or reproducing what people want in the moment. They are very often containing just very vague instructions that are not applicable or extremely specific instructions that are not applicable at the time of illness. What is very important about advanced care planning is to participate in it with your loved ones and prepare your loved ones for their role as your decision-maker. It is not so much the document, but the process. And that is at least a three-person conversation between you, your loved one and some medical practitioner who can give you some idea about what the kinds of decisions that person will have to make in the moment. And do your best to prepare for that and talk about what your values will be as you get sicker; what, for you, would be a life that you would like prolonged; what kinds of therapies you would consider to be heroic or excessive; what you would consider to be normal and acceptable that you would want. Those are the kinds of conversations you should have.

SG: Could I add something to that, too? I think that when we think of advanced care plans, it is important to remember that they vary from province to province. Different provinces have certain legal standings than others. I think that, for our organization, we see that this is all about patient choice, personal autonomy and the ability to request or have a substitute decision-maker make decisions for you in advance if you are no longer able to do it for yourself. That is a piece of work that we know needs to be improved. We know, provincially, that advanced care plans, do not resuscitate orders, that there needs to be greater legal standing moving forward because one of the really wonderful things about the court's decision, besides the conversation here, is that this conversation here is happening in people's homes, and people are having those end-of-life conversations and having difficult conversations with family members. But we do see a need, moving forward, to have a greater legal standing, possibly through legislation, to ensure that your wishes in your advanced care plans will be respected moving forward.

PC: I think we have time for one more question.

Q: Hi. Good afternoon. Thanks very much for the interesting dialogue. I was hoping that you could touch on access issues. Once this legislation is rolled out, what are some access concerns, in your opinion? You mentioned the right for hospitals to conscientiously object, but also that there will be a spectrum of places where medical assistance and dying could take place, so in hospices, also in palliative care. I am assuming that the government has only certain control over healthcare institutions

that are partially publicly funded.

SG: I will just jump in here. It is a really important question. When you think about a human right or a right, it is only really a right if you can access it, right? If it is something that is in theory and you cannot access it, it is a real problem. There are a number of issues that the federal government is going to parcel over, I believe, to the provinces in our country. We have that unique tension of the federal government managing criminal affairs and the province has largely been in control of health-related matters, including access.

Our organization believes and support physicians' right to conscientiously object to providing assisted death, but we do believe that there has to be an effective transfer of care. We are talking about sick, ill and dying people who are not going to be able to go to the phone book, "Oh, I read recently something about an app?" They are not going to be able to access it. There has to be a system where a physician that declines is able to effectively transfer their care to a physician who will be able to help that person. But what also is really critical, and I think it may be one of the big access pieces moving forward is where people will die.

When we are talking about institutions that receive taxpayer funds, public funds, but also provide a public service, should they be able to opt out? We know that there is been resistance from faith-based hospitals, Catholic institutions that want to be able to opt out. What I would say in that regard is that what the Catholic Church is asking for is what we are asking for: They want accommodation. They want to be able to say we do not want to participate. Well, we want accommodation, too. We want accommodation for the patients who are in those facilities and for the health-care providers, some of whom, many of whom, will feel a conscientious duty to provide an assisted death to help relieve the suffering of their patients, and they want protection. They want protection for physicians to be able to opt out, and they want protection for their whole institution. You cannot have four, five, twelve people on a board making a decision for what could be thousands of people who work and are residents in those facilities. We believe that there needs to be protection also for doctors and for people who want to receive an assisted death.

When we think of where people die, I think most of us would say—I know I would—"I want to be home in my bed with my family." That is not really the reality, so people are going to die in hospices; they are going to die in places where that is their home, right. If they are not allowed to die there, and they have to go to some other facility, I feel that is harsh. These are the people that have been taking care of you. Even if you have only been in the palliative care unit for a couple of weeks, you have got a relationship with the doctors, the nurses, the staff. The idea that you have to be ripped away from that support circle and go someplace else at the most vulnerable time in your life is cruel.

The last thing before I turn it over to James is that when we are talking about faith-based institutions, in Toronto, we are fortunate we have a number of hospitals that you can probably go from one to another, but there are hospitals in this country where, and as an example I will take St. Joseph's in Comox Valley, British Columbia. It is a stand-alone facility for a number of different communities. If you have to go to another facility, you may have to travel 50 km, so not only are you being ripped away from your circle of medical support, but you are being ripped away from your community. And this is something that the provinces are going to have to address, because the rubber will hit the road if people cannot access this assisted dying in the places that they live.

PC: I will give you a brief last word.

SG: Sorry.

PC: That is okay.

JD: The question of access is a very important one, but also important to underscore is the need for more broad access to end-of-life care services, and we know that high-quality palliative care is available to a lot of Canadians, but only if they happen to have certain types of illnesses or if they are physically located in certain parts of the country. So, if you have cancer or if you live in an urban area, you are very likely to get good palliative care. If you have something else or live anywhere else, you are not. And that is a real challenge as we are moving forward to try to implement not just assisted dying but a more comprehensive set of services that can be offered to individuals. I spend a lot of my day connecting people with services because there really is not a very easy system for people to plug into and figure out what services are available. These are people who want palliative care and cannot get it.

The federal government is in a very strong position, and my other big criticism of Bill C-14 is, in the preamble, it makes reference to non-legislative measures to improve palliative care, but I do not understand why we cannot add in legislative measures. You can, by fiat, create a palliative care secretariat or organization based at the federal government level whose job it is to monitor and set standards for palliative care that everybody across the country is going to have to meet, that will figure out what the research agenda should be and make sure it gets funded. We have a fairly nebulous promise that one day we will have non-legislative measures. I think that the government has an opportunity here to put some teeth to this promise and make it happen and put it in this bill.

PC: Once again, I would like to thank you both, Shanaaz and James. Thank you very much.

Note of Thanks by Dr. Gordon McIvor

Thank you so much, wonderful panel, great moderator and some great questions. By the way, to the gentleman that called me out on the misuse of that expression, I really do appreciate that. We are still learning our vocabulary in this area, and, as our panelists said today, language is important. Thank you very much, sir, for pointing that out.

Ladies and gentlemen, in a moment I am going to ask Past President Gareth Seltzer to thank our esteemed panel guests today. I just want to say a couple of words about Gareth. He is really the type of guy I want to be when I grow up. Many of you will know Gareth Seltzer as the restorer of many of Canada's premier historic residences, an initiative which has become known as the Seltzer Partnership. He is also the co-founder of RYOT News and, of course, a renowned filmmaker, producer and explorist. He was recently nominated for an Oscar. You may have seen him down at the Academy Awards for his poignant documentary entitled *Body Team 12*. If you have not seen it, it is a great film. I highly recommend it. His films have also appeared in over 40 international film festivals. Gareth and his wife Monique also have the largest vintage Airstream collection in Canada, known as the Airstream Collective. Ladies and gentlemen, please, welcome here to express our collective appreciation, Past President Gareth Seltzer.

Note of Appreciation by Gareth Seltzer, Co-Founder, RYOT News; Past President, Empire Club of Canada

Thank you. Thank you very much, Gordon. You might be the subject of our next documentary because you have a pretty wide life yourself, to be honest. Thank you very much, ladies and gentlemen. It is great to be here. I just briefly want to say that having been a Past President, I remember I think in my year, in 1997, I think, I had Keith Norton who was the Chairman of the Ontario Human Rights Commission, a great hero, talking about dignity in life. We have had many heroes, and I think Dying with Dignity Canada is one of those. We had the leadership of Wanda Morris for years as well, who is one of the reasons that we are on this stage.

We just spend an extraordinary amount of time working on dignity and life, and one of the things we have not done is dignity in death. I think what I heard today from all of you is James and Piya and Shanaaz, I think we can all, tonight, hop in my wife's Subaru and drive to Montreal. We would only see 250 feet at a time, because that is all our headlights take us, 250 feet. We would get there; we would see the next 250 feet, and eventually we will get there. I think what the Supreme Court of Canada has said is let us get there now. What you are saying is, "Let us do this right and get there now." Eventually, there will be advanced consent. It is essentially dictated in the Supreme Court of Canada's Carter case. Let us not drag our heels. Let us write this correctly right now. That is what I heard from you, and I hope that all of you will share my appreciation for each of you coming here. And Piya, thank you so much for narrating this and bringing this discussion so articulately to our table. Thank you, Gordon, and the Empire Club of Canada. And on behalf of my wife and I, who are also underwriting this, I just want to say, “Man, we need more people like you,” and we need more people like you coming out for this kind of collective, narrative, intellectual, social justice issue. It is all about dignity, and I thank you. Gordon, thank you.

Concluding Remarks by Dr. Gordon McIvor

Thank you so much, Gareth, and thank you, again, panel. Piya, good luck with your new show. We are all going to be listening. Obviously, Shanaaz and James, we are going to be rooting for you behind the scenes. Best of luck to you. Thank you, Gareth, especially for underwriting today's event. Thank you to you and your wife, Monique. You made this event possible.

We would also like to thank the *National Post,* as our national print media sponsor and, of course, Rogers Television, our national broadcaster. We would also like to thank Mediaevents.ca, Canada's online media space, for live webcasting today's event, which is, believe it or not, how most people see the Empire Club now around the world. Follow us on Twitter at @Empire_Club. You can also follow us on Facebook, LinkedIn and Instagram. Please, join us again.

In the coming weeks, we have some great events lined up. In fact, this Friday, we have the Minister of Innovation, Science and Economic Development—what we used to call the "Minister of Industry," in the old days—Navdeep Bains, who will be with us at the Arcadian Court. On May 4th, we have William Charnetski, who is the Chief Health Innovation Strategist, which is a good link to what we have been talking about today. He is going to be addressing us at One King West. On June the 3rd, we have booked the Chief Justice of the Supreme Court of Canada, Beverley McLachlin, who will be talking about 150 years of Canada and the role that the Supreme Court has played in the laws of our land—another good connection to our topic today.

Ladies and gentlemen, thank you so much for being with us. This meeting is now adjourned. Thank you.

The Empire Club Presents

THE HONOURABLE NAVDEEP BAINS CANADA'S MINISTER OF INNOVATION, SCIENCE AND ECONOMIC DEVELOPMENT:

April 29, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are joining us either through our webcast or our podcast or on Rogers TV, welcome, to our meeting today.

Now, before our distinguished speaker is introduced today, I would like to introduce to you our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Navdeep Bains, Canada's Minister of Innovation, Science and Economic Development

Guests:

Mr. Sunir Chandaria, President, LePage's; Vice President, Conros Corporation
Mr. Noble Chummar, Partner, Cassels Brock & Blackwell LLP; Past President, Empire Club of Canada
Dr. Tom Corr, President and CEO, Ontario Centres of Excellence

Mr. Kent Emerson, Director of Operations, Office of the Minister of Finance; Director, Empire Club of Canada

Mr. Bryan May, Liberal MP for Cambridge, Ontario; Chair of the House of Commons Standing Committee on Human Resources, Skills and Social Development

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Hon. Reza Moridi, Ontario's Minister of Training, Colleges and Universities and Minister of Research, Innovation and Science

Mr. Bob Richardson, Executive Vice President of Public Affairs, Edelman Canada; Vice Chair of the Board, Ontario Centres of Excellence

Mr. Veso Sobot, P.Eng., Director, Corporate Affairs, IPEX Management Inc.My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club of Canada. Ladies and gentlemen, your head table.

Thank you to the generosity of Sunir Chandaria and the Conros Corporation. And thanks to them, we have a group of students with us today from the Ted Rogers School of Management at Ryerson University. As many of you will know, Minister Bains served as a distinguished visiting professor at the Ted Rogers School of Management where he hosted a speakers series for MBA students and developed a mentorship program for those students. So, students, please, rise and be recognized. Welcome.

Introduction

Renaming Industry Canada, traditionally one of the most powerful ministries of our federal administration, was almost without any controversy when the new Trudeau government was set up last fall. After all, most Canadians recognize this department had to reflect the new economy with an emphasis on technology, innovation and R&D—in other words, more emphasis on fibre optics and laboratories as fundamental components of a new economy. The freshly minted Department of Innovation, Science, and Economic Development would be a bridge between the important Liberal Party theme of new economy innovation and old economy subsidies, providing a clear path forward for growth jobs and thriving industry. For even an old school industry, such as the auto sector, there was an increasing recognition on the part of the newly elected government that there were far more issues than low wages, in such areas as Mexico, when it comes to attracting and maintaining jobs. There was also science and innovation, and, with that powerful combination, Canada could strategically position itself to become more competitive in global marketplaces while at the same time shoring up the quality of life for the millions of us Canadians who work in industry.

Now, while the whole technology component of these discussions is a relatively new discussion, this podium has welcomed numerous leaders from all levels of government to discuss industrial strategies since we were founded back in 1903. It could be argued, in fact, that it has been one of our most abiding and popular topics examined at the Club in the past 112 years. Almost a century ago, in the spring of 1919, just after the First World War ended, the man who would become the longest serving Prime Minister of Canada, stood at this very podium and delivered one of the most famous Empire Club speeches of all time. It was entitled "The Four Parties to Industry," and it called on the war weary nation to remember that industry was the key to its success at home and abroad and that nothing could be achieved without strong partnerships and good relations between the various segments of society.

Now, if you have not guessed already, I am, of course, referring to William Lyon Mackenzie King, who was less than two years away from sweeping the Liberal Party to power and becoming Canada's tenth Prime Minister and who was a workaholic bachelor often remembered today as the man who got us through the Second World War during his several terms in office.

Like our guest speaker today, he was a graduate of a Toronto university, and he loved to understand connections and what made people and processes work well and lead to success. Here is a brief excerpt from that speech from March 13th, 1919.

> With the new spirit must come also a wholly new conception of industry. No longer must industry be thought of as a mere revenue-producing process in which capital, labour, management and the community meet like so many rival and contending factions, each to appropriate to itself by force or might the largest possible share of the fruits of industry. Industry must be thought of as

> in reality it is as in the nature of social service and participation in industry, whether it is in the form of labour or capital investment as social service of the highest kind since upon its successful accomplishments rest all other forms of human service.

Now, following in the footsteps of William Lyon Mackenzie King, we are delighted today to welcome Minister Navdeep Bains to the Empire Club. Many pundits will be watching closely as Canada continues to focus on creating a 21st century economy which does not subtract from the hewers of wood and drawers of water strategies of yesteryear but rather adds a new focus on R&D which will lead this government to better understand why we still score poorly, at least according to the Conference Board of Canada reports, in OECD peer countries for innovation.

Minister Navdeep Bains is well positioned for this job and to improve this situation, having achieved a great deal of experience in Parliament from his role as critic for the former Public Works Government Services, Treasury Board Secretariat, International Trade, Natural Resources and Small Business and Tourism. Before that, he was Privy Councillor and Parliamentary Secretary to Prime Minister Paul Martin, as most of you will recall, and an adjunct lecturer and visiting professor at both the University of Waterloo and the Ted Rogers School of Management at Ryerson University. His private sector experience at organizations, such as the Ford Motor Company of Canada, gives him a tremendously well-rounded background preparing him for his present role which, of course, is a role requiring an understanding of both new and traditional industries.

While he is not as famous as William Lyon Mackenzie King, or at least not quite yet, he will quite possibly be remembered long after we are all gone as the man who put us back on the road to future growth where government is not seen as an adversary but rather as a partner in helping give the industries of our nation the best possible advantage in the global economy. So for that reason, we view his appearance at the Empire Club this week as a very important one. So, ladies and gentlemen, please, join me in welcoming the Member of Parliament for Mississauga–Malton and Canada's Minister of Innovation, Science and Economic Development, the Honourable Navdeep Bains.

The Honourable Navdeep Bains

Good afternoon, ladies and gentlemen, and thank you very much for that very kind introduction and very warm welcome. Thank you all for taking time out of your busy schedules to be here this afternoon, and what a great turnout I must say. I think this whole innovation thing is really catching on.

I am also pleased to be here on the traditional territory of the Mississaugas of the New Credit First Nations. And it is an honour to be here at the Empire Club, an organization with an amazing history—and a little bit of romance—with very impressive speakers from Winston Churchill to every Canadian Prime Minister since Borden.

Minister Moridi, my colleague and Member of Parliament, Bryan May, and, of course, I think Michael Mendicino are here as well? There he is. Ladies and gentlemen, I am here to talk about why innovation matters—it is a very important subject—why it is important now, where we are strong and where we have work to do in the Canadian innovation landscape. I also want to give you a sense of the bold action I intend to take as your Minister of Innovation.

We meet here at a very historic and transformative time for this country and, indeed, the world. There are major global forces at play that require us all to embrace a new way of doing things. So I want to set the context today about the global forces that are at play before I get into our innovation agenda.

First, there is an international impetus to act on climate change and accelerate the transition to a low-carbon future. A consensus is emerging that we need to ensure that all growth is clean growth, and so we need to adopt cleantech across all sectors of the economy. So again, cleantech is prevailing in every single aspect of our economy.

Second, the world economy is uncertain. With tepid demand, particularly, in established economies like ours, and the weakness in commodity prices, many feel that we are entering a new era of slower economic growth, and that is very important to realize as well because that is what we ran on. We ran on the understanding that times are difficult. The economy is not growing as fast as it needs to, and we need to make investments.

Third, the world has entered a new industrial age. Technology is changing all aspects of our lives including how we live and how we do business. I am talking about the internet of things, autonomous vehicles, and I must say that, when I was in Detroit, it was all about autonomous vehicles. It was all about software power, not horsepower. Quantum computing, you are probably familiar with that subject now. The Prime Minister has put us on the map on that. Additive manufacturing, cleantech—these developments are transforming traditional sectors and also creating sectors we could not even imagine just a few years ago. We have whole new industries, whole new sectors, whole new jobs.

Lastly, these economic and technological changes come with important social changes. There are mounting concerns about rising inequality. That is a fact, ladies and gentlemen, within and across our nation and how we deal with the challenges of an aging population—and I am not talking about Atlantic Canada or parts of Québec. I am talking about coast to coast to coast. This is a challenge that we are dealing with—and how we address the needs of those who do not have yet the skills to succeed in a changing economy.

Given the confluence of global trends, it is, frankly, our duty to act and act now. The countries that will succeed in this new environment are those that understand and embrace these factors and choose a new path. The new path is one that recognizes that innovation is essential whether in developing new technologies, new processes or even new business models all together. My father came to Canada in the early '70s with a few dollars in his pocket—and many of you have heard this story—and I remember him telling me that people were saying in his village, "Really? Five dollars? You are going to succeed in another country with $5.00 in your pocket?" But he was ambitious. He was a risk-taker, and he believed in himself. And he knew that Canada was a country where if you worked hard, your children would have better opportunities than you did. And that was the idea of Canada that motivated him and so many others like him, generations of immigrants coming to Canada.

And the result is very clear. I have been blessed with opportunities he could not even imagine when he came to this country. And I, too, am a father. I have got two beautiful, young girls, Nanki and Kirpa—eight and five. And when I get up every day, I am driven as my father was to do everything I can to give them the best possible opportunities. But if Canada is going to be that place where our children can have opportunities to succeed and reach their potential, our responsibility is to make a bold bet on innovation. We have to recognize that we have a collective responsibility now, ladies and gentlemen, to bet on innovation and doing things differently because, at the end of the day, innovation is not an end to itself. It is a path to growth—remember I talked about the challenges around growth—the path that leads to a stronger middle class, something our government is absolutely focused on, and good quality jobs for all Canadians. That is what innovation is about. That is why innovation matters. If we had any doubt that we needed to act, we need only to look at how other countries around the world are dealing with global changes that we talked about.

Ladies and gentlemen, we are in a race. We are in an innovation race, and the stakes are very, very high. China and the U.S. are the two most powerful competitors investing billions of dollars trying to stay at the top of the leader board in almost all the technological categories. Germany, the largest economy in the EU, is an innovation superpower. It has built one of the most effective innovation ecosystems in the world using their Fraunhofer Institute to translate ideas into value creation. If you even look at smaller jurisdictions, they are moving the yardsticks as well by being very strategic in their investments. Israel is a great example. It is a hotbed of innovation, start-ups, and it makes bets on them, and those bets are paying off. Sweden, despite its small population, is consistently able to drive higher rates of R&D in government and in business and in the private sector.

As you know, Prime Minister Trudeau has asked me to lead the creation of an Innovation Agenda for Canada, and I must say that I am absolutely humbled and honoured to take on this challenge. To that end, I have spent six months—and it has been a fast six months, I must confess. Time has flown by—meeting with many Canadians, academics, business and community leaders, entrepreneurs, many of you that I have met in this room, young, innovative leaders of tomorrow, researchers. I have literally spoken to hundreds of CEOs in Canada and abroad. And I wanted to gain a better understanding—the purpose of these conversations was to really, genuinely gain a better understanding of the issues that play across every region of this country.

We live in a very diverse country with diverse needs and diverse perspectives, and I wanted a sense of how these global forces impact local realities. I wanted to take stock and understand where we are performing well in light of all these changes and where we need to take bold, new steps. Where are the opportunities? And what I have learned is that each of us plays a part in the innovation landscape, and we have successes to celebrate. But we also have some opportunities that we need to seize on. For example, when it comes to knowledge and technology, in this area, Canada has important strengths. We are one of the most educated populations in the world. And our researchers, they punch well above their weight in terms of academic publications and key discoveries. And I always talk about this stat because it is important to do so. We have got to brag. We have got to be proud of it. We represent .5% of the global population or slightly less than that—you know, the aging population issue and we need more immigration, but that is a separate issue that I will get to—but we produce 4% of the world's publications.

This country does, however, have a persistent problem and it was alluded to earlier as well with businesses under-investing in R&D. In fact, Canada ranks 22 as you mentioned, 22 out of 34 countries in the OECDs. So, businesses, my message to you is very clear: We need to step up.

I have also been looking at talent. This is a very important foundation when it comes to the innovation and taking stock. And it is a very important part of our landscape here as well. Now, on one hand, we have a mobile, skilled workforce. We are the first among OECD countries for percent of the population with a tertiary education. But our society is also inclusive and multicultural. Look around you. This is very unique. I look like I am standing here at the United Nations. This is really impressive, and we all know that we do a good job of welcoming people from around the world and, of course, the Prime Minister set the bar really high when he welcomed more than 25,000 Syrian refugee families.

However, on the other hand, our businesses are not acting globally, and they are not globally oriented as our people. Too many of them do not participate in global supply chains. So we are not really leveraging our diaspora. We are not really leveraging our talent.

I have also been thinking about our infrastructure. So talent is important, but what about infrastructure in light of the technological change that we have seen? And are we really doing what we need to do to make sure that we have a strong digital backbone? Here, too, the story is a bit mixed: On one hand, 94% of Canadians have access to one of the best digital networks in the world. *Ninety-four percent*, and I must confess: That number will go up to 98% as we continue to invest in the Connecting Canadians program which will make sure we exceed our targets.

But on the other hand, there remains an important digital divide. In fact, there are two divides I want to talk to you about: First are the social factors that still remain, that still mean that in many of our largest, urban centres, including Toronto, right here, many low-income people are left out of the digital economy. They simply cannot afford to pay the high fees. And in the North and rural areas, there is a different kind of a digital divide because there simply is not any access. There are many communities in Canada that are big enough to have a school, a medical clinic and apparently not big enough to have access to broadband internet connectivity. That is just unacceptable. That is why in our budget on March 22nd of this year, we were obviously very, very disappointed to see that number. And that is one of the reasons why we invested and committed to investing $500 million to make investments needed to make our digital economy more inclusive. That is about fibre connectivity to our institutions, to those 1,300 communities that I was talking about.

I also want to briefly talk about regulations and standards. And I have been thinking a lot about regulations and standards because this is an area definitely where the government can play a meaningful role, a role that I hear a lot from businesses. We are one of the best countries in the world to start up a business. That is a fact, ladies and gentlemen: We are very, very good at starting up businesses. Last year alone, the Net knew 11,000 new businesses were started, but I think we can do more. We need to make sure regulations just do not work against us and against the creativity that is driving new ways of doing business. The same is true for international standards. So it is not about a domestic regulatory framework that we need to be mindful of. Because we are competing globally and want to compete globally, we need to be mindful of international standards. We need to be leaders, not followers, and work internationally to shape the standards that will guide our products to market.

Another element of Canada's innovation landscape that must be considered is market access. This is again something that businesses have told me time and time again from SMEs to large corporations. Our strength here is that we have an enviable number of trade and investment agreements, and I can tell you right now we have an incredible Ambassador and a Minister of International Trade, Chrystia Freeland, who is working very hard to make sure we implement CETA and paving the way for global market access for firms, not only in that jurisdiction but across the globe.

But Canadian businesses do not make most of these agreements, and they miss opportunities created by access to those markets. That is the disappointing part. That is the frustrating part. As a country made up of primarily of small businesses—and we really are an SME country—I would like to see more than 10% of them exporting to other places other than the U.S. The flow of goods and services within our own domestic borders is also really important. Here in Ontario, we have seen great leadership, and I have had the privilege of working with our mutual colleague, Minster Duguid, as chair of the process to modernize the agreement on internal trade, and I am absolutely hopeful and confident that we will have a renewed agreement. But I also want to say that as an individual, I have gotten to know and respect Minister Duguid, and I wish him a speedy recovery from his recent health issues.

The point I want to talk about when it comes to our innovation landscape—I have talked about talent and regulations; I have talked about the market access—is really capital. This issue again comes up time and time again, and it is another major aspect of innovation landscape, one that I heard a lot with my conversations with business leaders. On the plus side, Canada is well-known for our stable markets and low corporate tax rates. And the availability of VC or venture capital is going in the right direction. So we are definitely headed in the right direction. To give you an example, last year VC investments totaled $2.3 billion. That is a significant increase, but here is the rub: We still do not have the kind of patient risk capital that permits our companies to start here, grow here and create jobs here over the long-term. And we need to ask why that is, and we need to take steps to address it.

So, ladies and gentlemen, summing up, Canada is uniquely placed to excel in new global economies. We have enormous strengths, which are our people—and we cannot underestimate that. I can tell you right now, when I travel abroad, when I meet with world leaders and business leaders, I continuously brag about our people. It truly is a competitive advantage. Our academic leadership, which I talked about, produces some amazing discoveries. Our citizens are diverse and open to the world, and our businesses enjoy low taxes in a strong, regulatory environment. And we do not need any more studies, ladies and gentlemen. I do not think I need to conduct another study to highlight those issues. It has been well-documented. I have gone through all the reports.

You know, over the Christmas holidays, I had the opportunity to read through Mr. Wilson's report and talk to him about it; the Jenkins report, and I talked to him about it; Peter Nicholson's report, and I talked to him about it. You get the idea. So I can go on and on. We have got enough studies. We have got enough reports. We understand the challenges.

Now, it is clear we need to take some bold steps, and that is what the Prime Minister has challenged me to do. He said, "Look, Nav, people are looking for action. They are looking for a government to play a leadership role," and that is what I am going to do. And I look to you in this room to help me with it, and I will explain why. Because we must work on growing companies in all sectors at home. We have world-leading start-ups, but too few of them grow up here in Canada, and we need those jobs here at home. So scaling up, ladies and gentlemen, scaling up is at the heart of our longer-term economic growth. Canada needs to remain successful. We need large, strong Canadian brands that have global mandates that do R&D here, that invest here, that have the head office here. For this to happen, businesses and post-secondary institutions, governments and other innovation stakeholders need to work together and more strategically. These connections are critical to transforming today's ideas into the products and services of tomorrow. That is why you saw us make a very important investment and honour a platform commitment. We are investing $800 million in innovation networks and clusters. These are not just going to be your ordinary clusters. These are going to be super-clusters. These are going to be the areas where we can genuinely leverage our competitive advantage to succeed globally.

There is also great opportunity right now for Canada to capitalize on the young but rapidly expanding global cleantech market by ensuring that our start-ups are able to grow in this area. That is why in our budget we made some major down payments towards the goal of making Canada an international cleantech leader. We sent a clear message to the market saying that this is an area we are going to bet on. Not only is it a moral imperative to deal with climate change but we know innovation and cleantech are going to be key. That is why we are providing over a billion dollars to encourage investments in cleantech and to bring new forms of these technologies to market faster.

But it is not only cleantech. We also need to, as I said, when I was analyzing the situation when it comes to our digital competitiveness, we also need to be able to properly compete in today's digital world. We must advance our digital economy across all sectors and encourage digital adoption to improve competitiveness. So again, everything is being digitized, ladies and gentlemen, in every sector of our economy. It is not simply ICT either. Agriculture, you can go to health; you can go to forestry, mining, resource-based sectors. Any sector you look at is being digitized. So this is about infrastructure and also education and skills development and about ensuring that companies in traditional sectors are using new technologies to reach their full potential. It is about ICT adoption, especially, when you compare ourselves to the U.S. We are at 51% versus our U.S. peers when it comes to ICT adoption. So only in this way will Canada fully access the unlimited potential of the interconnected, global economy.

Of course, when it comes to the entrepreneur and creative society, there must be bold action to cultivate an entrepreneurial and creative society. Can we get to a place where innovation is thought of as a core Canadian value? Think about that. We always talk about Canadian values, of a quality, of being inclusive but what about innovation? Why cannot that be a core Canadian value? I believe so, and if we properly leverage our talent and our diversity, it will become a reality.

Just earlier this week, I visited a school in Yellowknife—it was pretty cool to go at this time of year—where young kids about the age of my girls—so this is how I live vicariously through other kids when I see them and I think of my girls—were being taught fun and creative ways about the importance of computers and technology to their futures. Many of those children were from Indigenous communities where their parents did not have those opportunities. For these kids, being Canadian is about being on the cutting edge of technology and innovation. That is the norm I want for all kids, from all Indigenous communities and from communities across Canada.

So as you know, it is important to have action. It is important to play a leadership role, but we have got to measure it. I should add that underscoring all our actions will be a commitment to showcasing Canadians' tangible progress on the creation of an innovation agenda. You may have heard of this term that the Prime Minister has used, and it was used at a retreat just a few days ago when we were in Kananaskis, the term 'deliverology'. It is a big word. It took me a few days to figure it out, but it is a very, very simple concept which is that we will all be measuring and reporting our progress so people can see how we are doing, and we are going to make sure that we honour our commitments. This approach dovetails perfectly with our stated commitment to evidence-based policy making; and remember, on day one, *day one* when I was announced the Minister of Innovation, Science and Economic Development, we re-introduced the mandatory long-form census. It was very consistent with our government's DNA.

We want to take bold action, of course, as I mentioned, to make Canada the most innovative country in the world. But no matter how bold we are, the government is but just one voice in a national conversation. Make no mistake. We are just one part of the puzzle. We need to call everyone to action in this if it is going to be real. We need firms to embrace investments in technology like never before. We need post-secondary institutions to continue their work in basic research but also partner with industry like never before. We need all levels of government to embrace this as a national priority. Simply put, this will be a whole of society initiative requiring a fundamental shift in the way we think. It is going to be a true collective responsibility.

You heard me earlier talk about my two young girls. Ultimately, when we talk about why we need to take action on an innovation agenda, it really boils down to our children, as I said. That is why we need to do this. It is about strengthening the middle class. It is about saying, "Look, if you want to live the Canadian dream, innovation is important." And it is about growing Canada with more and better quality jobs and making sure that our children and grandchildren have better opportunities. Ours, of course, is an ambitious set of goals, but I have every confidence in the capacity and the ability and talent of Canadians to work together to achieve them, ladies and gentlemen. So thank you very much for this opportunity, and I look forward to working with you for years to come. Merci beaucoup.

Note of Appreciation by Tom Corr, President and CEO, Ontario Centres of Excellence

Thank you, Minister Bains, for a very informative and inspiring discussion. You remind us of how fortunate we are to live in a country with such vast resources and risk potential based upon our highly diverse and creative population. I know that many in this room, including those of us from the Ontario Centres of Excellence, are very encouraged by you and your government's strong inclination towards investing in an innovation-driven economy. We applaud your government's resolve to rebuild our economy through strategic investments and infrastructure and clean technology. Your commitment to clean technology as a means of addressing climate change, while also building upon a strong and diversified economy, is the right course for Canada. This investment in the environment will undoubtedly translate into increased productivity, job growth and increasingly competitive economy. We look forward to working closely with your ministry to support innovation in Ontario and the development of an innovation agenda for Canada. It has been a great pleasure having you here today. Thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thanks very much, Tom, and thank you to the Ontario Centres for Excellence for being today's sponsor. I would also like to thank IPEX for being our VIP sponsor and to the Conros Corporation for being our student table sponsor.

We would also be remiss if we did not thank the *National Post*, which is our national print media sponsor, and we would also like to thank Mediaevents.ca, which is Canada's online event space, for live webcasting today's event on a global level. And probably as most of you know by now, most people see Empire Club events now through our online space. Follow us on Twitter at @Empire_Club, and, please, also check us out on Facebook, LinkedIn and Instagram. We also welcome you to join us again.

We have some great events coming up in the coming weeks. William Charnetski, Chief Health Innovation Strategist for the Province of Ontario, will be joining us on May the 4th. Thomas Wellner, the President and CEO of Revera, will be here on May the 30th, and Chief Justice of the Supreme Court, Beverley McLachlin, will join us on June 3rd to talk about the changing legal landscape in Canada and how it has impacted the country's first 150 years of history.

Thank you, ladies and gentlemen, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

WILLIAM CHARNETSKI
CHIEF HEALTH INNOVATION STRATEGIST FOR ONTARIO

May 4, 2016

Welcome Address by Paul Fogolin, First Vice President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From One King West Hotel in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us either through our webcast, our podcast or on Rogers TV, welcome, to the meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Mr. William Charnetski, Chief Health Innovation Strategist for Ontario

Guests:

Ms. Lesia Babiak, Executive Director, Worldwide Government Affairs & Policy (Canada), Johnson & Johnson Corporate

Mr. Paul Bradley, Vice President, Strategic Affairs, Johnson & Johnson Medical Companies; Chair, MEDEC

Ms. Nicole DeKort, Vice President, Government Affairs, MEDEC

Mr. Paul Fogolin, Vice President, Government Relations & Communications, Ontario Retirement Communities Association (ORCA); First Vice President, Empire Club of Canada
Ms. Sarah Friesen, Consultant, Friesen Concepts; Member of the Ontario Health Innovation Council
Dr. Rafi Hofstein, President and CEO, MaRS Innovation; Member of the Ontario Health Innovation Council
Ms. Marian Macdonald, Assistant Deputy Minister, Supply Chain Ontario

Once again, my name is Paul Fogolin. I am the Vice President of Government Relations and Communications of the Ontario Retirement Communities Association and the first Vice President of the Empire Club of Canada. It is a long title. Ladies and gentlemen, your head table.

One last thing before I begin my introduction: I do want to acknowledge that Bill's parents are with us today at Table 5. No need to stand, but let us give them a hand.

In a room full of innovators and health technology leaders, the chances are there are probably a few *Star Wars* fans amongst us in the room. I would be remiss if I did not take the time to acknowledge that today is May the 4th, and on that note, May the 4th be with you. Thank you. Work with me, folks.

Down to serious business. This past Friday at the Empire Club, we had the privilege of hosting the Honourable Navdeep Bains, Federal Minister of Innovation, Science and Economic Development. Minister Bains delivered an impassioned speech focused on why innovation matters and the importance of Canada becoming a global leader in innovation. I quote:

> Given the confluence of global trends, it is, frankly, our duty to act and act now. Our responsibility is to make a bold bet on innovation because, at the end of the day, innovation is not an end unto itself; it is a path to growth, a stronger middle class and good quality jobs. That is why innovation matters.

While it is very encouraging to know that the federal government is back in the innovation game, here in Ontario the provincial government has recognized the value of innovation as an economic driver for many years, in particular, the potential of the health technology sector. This government's commitment to the sector moved from talk to action on November of 2013 when the Ministries of Research, Innovation and Science; Health and Long-Term Care and Government and Consumer Services banded together to form the Ontario Health Innovation Council or OHIC. OHIC was comprised of experts from the healthcare, research, industry and not-for-profit sectors, many of which we welcome here today.

The Council was tasked by government to provide strategic advice on how Ontario can achieve its full potential as a major centre for the development and adoption of health technologies. On December of 2014, OHIC released their highly anticipated report to numerous accolades from the health technology sector. The report was a call to action, a blueprint for how Ontario can best achieve the objectives laid out by government. It contained six recommendations, the first of which was to establish an Office of Chief Health Innovation Strategist.

The mandate of this office would be to provide the leadership to make Ontario a major centre for health technology by working with government and other stakeholders to identify health system priorities and population needs and work to align innovation efforts with these priorities and needs. By May of 2015, the Ontario government had committed to implementing all of the OHIC recommendations, and on September 10th of 2015, Mr. William Charnetski was appointed as Ontario's first ever Chief Health Innovation Strategist.

Mr. Charnetski, or "Bill" as he prefers, is an accomplished national and global executive who has worked in the highest levels of business, law and government. He has spent more than ten years working on integrated health solutions in Canada and around the world. Bill most recently worked in the United Kingdom with AstraZeneca, one of the world's largest, innovative pharmaceutical companies. Bill has also been a partner at the esteemed law firm Torys LLP and worked as an aid to well-regarded federal ministers Bill Graham and Allan Rock.

Ladies and gentlemen, it is my distinct pleasure to welcome Ontario's Chief Health Innovation Strategist, Mr. Bill Charnetski, to the podium.

William Charnetski

Good afternoon, everybody. And for those watching abroad, thank you for tuning in. It is humbling to be in front of you all. I do not say that as a throwaway. As many of you know who have seen me speak before in the past six months, I do not mind doing this. I have never seen a mic I did not like, so I am fine, and I was fine until about 40 minutes ago when they asked me to sign the Red Book at the Empire Club, which is quite incredible. It has the signatures of all previous speakers. They include Winston Churchill's and Ronald Reagan's and every prime minister's. I do not think Justin Trudeau has been here yet. I take some comfort from the fact that I did not recognize some of those names, so someone in the future will look at my name and think, "I don't know who that guy is, but, look, Navdeep Bains was here."

Thank you for the introduction. I appreciate the brevity. I do not look forward to that part of any presentation I make. I do not like hearing people talk about me, so, thank you, for being succinct. It is also great that Paul was in the office of the Honourable Deb Matthews, when Minister Matthews was Health Minister, so he was actually at his job when the Ontario Health Innovation Council was created. That is a nice coincidence.

It is a privilege to be here in front of you. As I said, the list of people that came before me is quite impressive. I have seen a number of them, certainly not Winston Churchill, but I have seen lots of impactful speeches, so it is truly humbling to be here. And having just returned from London, England, where I was for three years, and coming to present at something called an "Empire Club" has a whole new connotation, generally positive—not entirely so.

I will tell you, you spend a little bit of time in Britain, and you are reminded that you were part of a colony or something that was a colony once. I think in the eyes of many Brits, they think we still are a colony. We have come a long way in one-hundred-and-twenty-fivish years.

I am Ontario's first Chief Health Innovation Strategist, and I love this job. I love the job. Most importantly, I believe we can move the needle in using that $52 billion investment of your money into our healthcare system as an economic driver. Minister Bains was here last week. What an amazing message to have from your federal government. We have the same message from Ontario, more particularized when it comes to health innovation. We will talk about that today. This is important stuff. It is important. It is not just important for us; it is important for our children. My oldest child has just turned 16, and we are in that place: We are starting to talk about universities and more knowledgably about career choices. The world is a very competitive one for top talent, particularly, when it comes to innovation-oriented industries, and it is really important that in Ontario we are able to compete and compete to win in that environment—not just for us, but for our kids.

I am going to talk about three things today: First, I will really just expand a little bit on what Minister Bains talked about: Why does innovation matter really? What is the innovation imperative? The second will be what our team at the Office of the Chief Health Innovation Strategist, our merry band of warriors, is going to do to help drive the adoption and diffusion of innovation in our province. Then, lastly, I have three pretty important announcements about how exactly and quite particularly we are going to do that.

Why does innovation matter? Why is it critical? It can be quite succinctly put, I think: Countries that innovate, prosper. Those that do not, decline. People far more eloquent than I am are able to and have articulated that imperative crisply. There are lots of examples of how this happens. Think post–World War II, when the United States leveraged a massive investment for very important reasons in innovative defense work and how that drove them to be the largest and most powerful economy in the world. More recently, the Asian Tigers in Singapore, Taiwan, South Korea, all really showed examples of how the public and the private sectors working together in a focused way on a few particular, important priorities can truly grow their economies in a meaningful way, in a step-change kind of way. It happens to even sub-national regions. Forty or 50 years ago, did anyone know what Silicon Valley was? Was it even a thing? And Boston was an amazing place to visit if you wanted a history lesson and could see some really cool and important universities.

I just got back from Detroit and Cleveland, so about the time that that is how we viewed Silicon Valley and Boston, I learned that Detroit and Cleveland, respectively, were the fifth and seventh most populous cities in the United States. Pretty amazing, right? The upward and the downward trends, really, not solely, but I think primarily can be attributed to industries that adopted; they innovated and changed as opposed to those that did not.

Today, if you look at the global environment, it is increasingly competitive, as I said, and Minister Bains talked about this: Rapidly changing technology plus globalization is meaning a reshaping of the global economy, and we are not immune from that in Ontario. In the past, we were dependent on manufacturing and natural resources—still very important industries—but I think there is a common realization now that we are not going to win in an environment characterized by a race to the bottom in wages purely based on low-cost production. These will continue to be important, but if we are going to grow this province and leave it one that will be healthy and happy and prosperous for our children, it is going to come out of competing and winning in the knowledge-based economy. You cannot do that if you do not innovate. Where quality and, frankly, stability and pace matter, we will win. To do that, we need to innovate.

Why do we actually have any of this refocus? Why? You are telling us it is important, and, really, I understand the kids and their futures—that is nice. People say that all that time, but explain this to me. Since 2008, the recovery from the global recession has been pretty sluggish, right? We are not immune from that part of it either, and it has exacerbated our fiscal pressures and, frankly, a lot of those great programs to which we have been accustomed are under threat. Stronger growth that comes from winning in a knowledge-based economy will increase public revenues and, therefore, ensure the sustainability of those programs. Innovation is the key to winning in those knowledge-based economies. We have to invest in innovation.

Like many things, there is bad news and good news that comes from this. Bad news or good news; what do you want first? I always like the bad news first because then you finish on a high. The bad news: The bad news is we are not alone. Everybody is competing in this—everybody. Pretty much every jurisdiction and company is in a global race for investment and talent, particularly, in the knowledge-based industries. I saw that first-hand when I worked in London at the global headquarters of AstraZeneca, as you heard, the sixth largest innovative pharmaceutical company. I would literally be sitting on the other side of desks from delegations from pick a country—pretty much any of them—asking and making good propositions or proposals for our money, our investment in bricks and mortar, basic research, developmental research, human resources. They were not just from the United States and Western Europe, and they were not even just from the BRICS nations. Increasingly, they are from high-growth economies in the Middle East and in South Asia. To be really honest about it, pretty much all of them did a much better job at those propositions than the Canadian delegations. Their efforts were aligned. Their priorities were clear. They spoke with a single voice, regardless of jurisdiction or competing interests and unqualified political support, sometimes from kind of unbelievably high levels were presented. All of them are acting on that need to attract investment innovation.

Now, the good news. Here is the good news, and there is lots of it: Again, people more eloquent than me—people like Rafi and others—will tell you why this place, this province, this city, this metropolitan area, is more than capable of winning in this race. You, literally, look around, and you can see it. You can see some of the best research hospitals in the world, some of the best universities in the world. You see full government support in this particular area. You see a highly diverse population, not one that points to a Chinatown over there and a Little Italy over there, but, like, hundreds of thousands of people that have brought their best perspectives and skills and talents from different parts of the world, and they are in Toronto. At a time when cities are the economic drivers of the 21st century and will be the hub of growth—not the only source of growth—it is Ontario that matters. But the GTHA is immensely attractive. Living abroad, we can tell you it is a place that the world wants to live in. It is the fourth largest market in North America, if you include Mexico City. It is a pretty amazing place to be, but there is more, and the more is the great news.

The great news is we are strongest in what might be the biggest innovation industry of them all, healthcare. Healthcare—it is the biggest prize. Last year, *FORTUNE* magazine said that of the Fortune 50 companies of the time, 23 of them were new entrants in the healthcare industry—*23.* Companies that would surprise you: Ford, on automated cars being a source of medical information; Samsung—you have got Samsung fridges, television, electronic equipment moving from consumer devices into healthcare in a major, major way. What do we have? We have got a single payer system, the largest HMO in the world, a $52 billion business with one shareholder, one owner. It is us. It makes vertical collaboration really easy, so the kind of collaboration that can allow you to organize strategically with your supply chain and with other providers—really easy. I do not really mean that. It is difficult, but it is there for the taking. It is there for the taking.

We have hundreds of smart, hard-working, passionate people in this industry in this province already. I stopped counting the number of innovation centres, incubation labs. It is every hospital, every big hospital, most regional hospitals, every university, most colleges—really, really smart people doing amazing work on this stuff, so we do not need to go find them. They are here, and we have got many, many Ontario companies that are already successful. They are exporting and not just to the United States. They are exporting to Western Europe. I literally ran into people at an innovation fair in Dubai. Our companies are exporting to the UAE and to China. We have the stuff that you cannot buy. It is all here. The opportunity is endless.

Now, what we have to do is do it, right? We have to actually move past the notion of talking about it and people, like me, giving speeches and actually act. That is where I welcome the vision of the government for taking this on squarely and the Health Innovation Council recommendation to create this office. The government heartily accepting those recommendations is just another, albeit small step, but it is really reflective of the vision of this government.

Why focus on healthcare? Again, you have told us it is important, but what do I know really? Well, pretty serious thinkers have quantified the healthcare opportunity. IBM—if we had graphs behind us or if we had slides behind us, I would show a graph that I actually borrowed from Zayna because I loved it so much when she presented it with attribution. But it was actually IBM who looked at the notion of how industries, over time, have developed their own systems reflective of the individual country, economic system, political system, opportunities before them. Those industries have created a certain level of efficiencies, which has got us where we are today. Some of it is really quite powerful. We are in a different place now as a result of incredibly rapidly advancing technology. We are entering a time of systems, an area or a time when systems themselves will be working with each other. If you look at the efficiencies in the high-growth sectors as they stand now, it tells an interesting tale, not just of where things are at, but where they actually could be in the future.

There would be a slide behind me that shows on the vertical axis industries by their proportion of system inefficiency. In other words, which industries actually have a fair amount of inefficiencies in them? Which industries are the ones that have the most opportunity for change to realize the potential of those inefficiencies? Then, on the horizontal, it had the proportion of those efficiencies or those industries in terms of the total economic value in our globe. Think about it. If you are in the top, right-hand corner, there are a lot of inefficiencies that you could rectify and, therefore, you could realize opportunity in that particular industry—and the industry is really important in the global economic tale. Do you know what is up in that corner in a big, red circle? Healthcare. Healthcare, not entirely by itself, but it is big, and so IBM labeled it a $5.2 trillion challenge. Opportunity, right? Whether it is $5.2 or $4.9 is irrelevant.

The point is that it is a massive opportunity presented by healthcare industry, an industry in which we are really, if not uniquely so, certainly very, very positively placed to win.

What is our office going to do as part of this? I walked into an empty office at the end of September. There was no furniture. There were no people, no anything, and then I got a gift. He is sitting over there, so I am going to embarrass him. I do this with every speech. Jovan Matic. I told you, dude. I warned you, right? Jovan came over. He was the Secretariat to OHIC, and, not only is he smart and hardworking, but he brought all of the insight that came from that Council work, and it was really, really important. I also have to thank Bill Mantel from the Ministry of Research, Innovation and Science. You should get the applause.

I am going to round this out because Marian is at our table. Marian, as you heard, is from the Ministry of Government and Consumer Services. My job was structured within health, so I report to the Deputy Minister of Health. I have a formal dotted line into the Ministry of Research and Innovation and a formal working relationship with the Government and Consumer Services. That, in itself, for the Government of Ontario is pretty, well, any government is pretty impressive. They have actually structured the job in a way to work through those silos. Thanks to Jovan but also to Bill and Marian because I actually think that we are going to get stuff done on this.

The first 90 days we spent time, really, on fundamental organizational development stuff, like, what should the purpose of our group be? What should the priorities be? We are going to have a shorter list of priorities, not a longer list, because we keep saying we are going to have impact. And judge us that way, so we cannot focus on everything, or we will not get anything done. Fundamental organizational development. What kind of people do we need? What skills and capabilities should we hire? What structure do we need? What are the processes we have to live within and optimize, especially, in government? And then how much time can I spend out there meeting and building relationships with people? The answer is: As much as I can. For the first 90 days, the vast majority of that time was spent out on the road in Chatham-Kent, in St. Catharines, at Niagara, at Mackenzie, at Southlake—different places around Ontario—because one of the jokes I always use is, I do believe that you get a lot more done if you do not care who gets credit for it. It is a darned good coincidence in this job because I have authority over no one other than Jovan and a couple of other people that have volunteered to be on our team. I mean, look, Peter Pisters from UHN, Barry McLellan from Sunnybrook, David Williams at Southlake— these folks do not report to me, neither do colleagues around the Ministry executive table, so the only way we will achieve our objectives is if we get people to collaborate. You cannot collaborate without relationships of trust. You cannot have those without relationships, and you cannot have relationships unless you get to meet people. That is where we spent a lot of our time. So far, it seems to have worked.

We came up with a purpose to drive collaboration across the healthcare system to accelerate the adoption and diffusion of innovative health technologies with three objectives: One, improve patient outcomes, so that is in accordance with the patients-first strategy from the Ministry. Two, add value to the system. It has to be cost-effective. And three, create jobs in Ontario. It is that third bit that we think distinguishes us from lots of those other smart, hardworking, passionate people.

We really have circled the "create jobs in Ontario" bit. The priorities—you will recognize them. I am happy to talk about them in more detail in the Q&A, if people are interested. The first priority is to create the pathways to the adoption and diffusion of innovation. Again, we have a $52 billion single payer system. It is a monopsony. If you look at the demand side of this discussion, if you can create any kind of pull through the system, think about the impact that would have for the companies that are supplying into that system. We are going to look at removing the kinds of hurdles and barriers that exist to create that pathway, which quickly gets you to the second priority, procurement of innovation.

Procurement, in most jurisdictions and, certainly, with many businesses, if not all of them, is seen as a vehicle for innovation. It is to actually procure the types of things that will allow your company to grow or your enterprise to grow and innovate through time. We need to do that in Ontario. As the Health Innovation Council said—and in fact the Premier spoke about it at MEDEC—we need to move to value-based procurement, strategic procurement. It has to happen. The opportunities are immense. People want to do that, and so we will help people do that. We have the supply chain management review process now underway. It is co-chaired by Marian and Mike Weir from the, I guess co-sponsored is the language, co-sponsored by Marian and Mike Weir from the Ministry of Health. There is an expert panel in place with some pretty impressive people. Marian and Mike are ex officio. I am ex officio, so, again, we are working across the silos to really look at what we could do on the procurement side, generally, but also in particular with respect to innovation.

The third priority is the number one priority of healthcare systems, not just in Ontario, but around the world. We call it "Better Care Closer to Home." It is the notion of getting healthcare to people as opposed to making people constantly come to the bricks and mortar of the local institutions, sometimes not so local. Our lens on this is "How do you do that using the enabling technologies, like virtual health or digital and mobile health?" That is ripe. That is ripe, fertile territory for Ontario companies, which are doing this in many parts around the world, just not in Ontario yet.

Fourth will be enabling, empowering, really, Ontarians with digital technology. Having Ontarians and their circle of care own and use their personal health information in a way that allows them to make better, faster healthcare decisions. It is the next generation of the world on electronic health records. It is really exciting. You will be hearing more of that.

The fifth, which is equally exciting, is enhancing healthcare for Aboriginals. As you have seen recently in Ontario but, frankly, across the country, the outcomes for our First Nations people are atrocious. If you look at how you can use new technologies to enhance those outcomes, it gets pretty exciting pretty quickly.

We are going to build a health innovation ecosystem. We are not going to run a mini *Dragon's Den*. There are going to be startups. There are going to be scaled up companies. The role of the multi-national companies is important: Research and academia. We are going to be looking at the broader ecosystem. I am going to talk to you in a minute about our Health Technologies Fund. It is very important, and we are really excited by that. We have a bigger piece of work to help drive people to and that is build that health innovation ecosystem.

I said startups. Scalability, scalability, scalability—that is our focus. We do not have problems building startups, starting startups, I guess. We want the companies to go from two employees to ten, from ten to a hundred, a hundred to a thousand. That is what we want in Ontario.

We want the next Genentech to come out of this unbelievably fertile ground we have around us in Ontario.

Our role will be as catalyst. We are not going to do much. We do not do much. It is really to inject innovation into the conversation—frankly, push the envelope, act as brokers. You are going to hear in a minute about our innovation brokers. Just really work to get people working together. We are going to leverage what already works well. We are not going to create another institution to sit over here. We are going to leverage what already works—kind of on a sandbox approach, the idea being that if people are working better together, you will get a whole that is greater than the sum of its parts, and, again, I truly believe that can happen.

We are talking about growing world-leading companies. That is not going to happen just on the back of the Ontario healthcare market. The exports will be a big component of this, so you will hear us abroad. For those of you watching abroad, you will hear us come as champions of these great Ontario companies abroad. Our Health Minister is particularly adept at this, having been the Trade Minister in a previous portfolio and, obviously, being so knowledgeable and enthusiastic about this one. It is formidable to have him out there as champion of what Ontario does. Of course, for those of you who have seen the Premier, she is no slouch either. We have got a great opportunity now to have strong political voices helping you, companies in Ontario, export your products abroad. We will champion the move to value-based care. We will look to use outcomes-based targets and to help anyway we can to develop a more integrated approach to healthcare. The Ministry is all over this, and we are going to play our part in that.

The last piece, which is certainly not the least important, is that in everything we do, we will put patients first just as the Ministry does. You know, a friend of ours—a person not involved in the healthcare industry, but pretty smart—listened to me give my little speech, and, at one point, she looked at me and said, “So if I’m a patient, what am I going to see that’s different as a result of your work in say, two years?” I was, like, “All right, well, I am done.” It is a great question, right? It probably governs every one of us in the Ministry, and that is our aspirational goal. I do not know about two years. We will do our best, but when I say, “Put patients first,” I mean that in every sense. Let us think about what technologies we can use to make the patient experience better and faster and to provide better decisions and provide a more sustainable healthcare system. In many ways, that is our ultimate goal. Honestly, people at the office, I do not know who it was, but someone put that up on the wall above the photocopier. It is perfect. We see that every day in the office.

To have an impact on any of this stuff, we have objectives. We have tactics and tools, and I am very pleased to tell you about three of them right now. As you heard, the

Government of Ontario accepted all six recommendations from the Ontario Health Innovation Council. The creation of this office was the first. We are now working quickly to execute on the remaining recommendations. As a result, I am here before you with some great news: First, I can announce the creation and launch of our Health Technologies Fund, the $20 million fund that will help us in many ways with the work we are doing. And it is good. It is really pretty exciting. It is designed to support premarket evaluations and early adoption. We really circle that word "adoption" of innovative Ontario health technologies. We are going to invest $5 million for each of the next four years to accelerate innovation across multiple healthcare settings. As I said, it is exciting. We are all excited by this and, given the level of interest I have heard out there, others are really looking forward to it. We will begin accepting applications for this on July 4th. I know that is ahead, but now we are going to start talking about it, and people can start thinking about what they are going to do with respect to the fund. But know that July 4th is the magic day for you.

As I said, we are really focusing on having a discipline in our office to focus on fewer priorities rather than more. Our fund is no exception. While we have five priorities that we are working on, we have chosen "Better Care Closer to Home" to be the focal point for this fund. It will support home and community care, as we talked about, through the virtual digital mobile technologies and, ultimately, help us work towards a better coordinated, more integrated healthcare system with better patient care for our Ontarians.

Now, in investing in the fund, we also want to model those behaviours that I have been talking about. You have heard the word "collaboration" come up a lot, and that is the most fundamental behaviour. Eligibility for funding is actually going to require that people come forward as health innovation teams, not as individual companies. Depending on the application stream, that health innovation team may consist of an Ontario-based health technology business. That means it could be a small or medium-sized business. It also could be a multi-national business operating within Ontario as long as more than half of their R&D and manufacturing occurs in the province. It may also include a health procurement professional in a provincially-funded health delivery organization. It could include a researcher who has expertise in research and evaluation, design or implementation. And, most importantly, it can include whoever is going to be using the technology, such as a clinician, a doctor or a patient. Those will be the components of a health innovation team.

Now, our fund is going to have three streams: Prototype, premarket evaluation and early adoption. In stream one, prototype, innovators should apply if they are looking to test a new product or a feature of their product in their health innovation teams. They will have the opportunity to work with a healthcare provider or providers to get the valuable input on their design that is required. The teams must have a viable business plan, including a feasible study and problem validation. The end result will be a new technology that is market-ready with proof of its potential value in Ontario's healthcare system.

In the premarket evaluation stream, the second stream, innovators will work with healthcare providers in their health innovation teams to test the feasibly of the use of their product on a day-to-day basis—so really in situ evidence generation. This could include training and changes in work flows and daily routines. Activities from this stream should result in the development of an evidence package. We talked about how important that was—so in your home jurisdiction—to be able to talk about your evidence that you have generated in the largest HMO in the world, for example—so an evidence package that can support procurement of the product into the healthcare providers' hospital, clinic, or a homecare setting. It is not just institutional, if you will. It is also looking at the homecare setting as part of the overall priority. The stream also includes an economic analysis that examines the efficiency of the technology and potential cost savings to the healthcare system and a plan that outlines the systems and processes required for wide-scale adoption, so cost effectiveness and adoption.

Stream three is early adoption. Here, the health innovation team will refine their evidence package and develop a plan to help facilitate the adoption of their product in multiple healthcare locations. This includes ensuring strategic value-based procurement. Results from this stream will include successful adoption at those multiple, healthcare locations and report on the change and knowledge transfer required to successfully adopt the new technology. That notion of the behavioural change, the types of activities it needs to undergo to actually adopt the technologies is the real focus of this stream.

Now, health innovation teams can only apply for one stream at a time, so bear that in mind. I also want to say that, for the purposes of this program, that medicines, vaccines, and drug efficacy research will not be supported.

It is also very important to have the right level of review in these types of applications, so, for our fund, extra panels made up of business and healthcare leaders, clinicians, health technology assessment professionals and procurement specialists will review each proposal. Panel membership is going to depend on the types of proposals we receive; for example, if we receive applications with an equal proportion of medical devices, phone apps, or IT platforms, we will have one panel to review all the applications. If there is greater demand in the apps area, we will develop a panel of expert reviewers who have expertise in that area. We will also have technical and patient reviews incorporated into the process. On that point, we really do want to hear and get the value of the patient perspective.

We do not want this to be a situation where we have kind of put ourselves up somewhere in a closed-door situation and just decided that we know what is good for the patient. We will make sure that that is incorporated into our process.

The expert panel will be looking for high-quality, effective, scalable technologies that fulfill those objectives of our purpose that I talked about—so improved patient outcomes, add value to the system, and grow jobs in Ontario. Most importantly, the fund is going to help facilitate better care for Ontarians closer to home.

Now, innovation brokers has been one of the most widely discussed recommendations of the Health Innovation Council—the recommendations that we create and hire innovation brokers to accelerate the adoption and diffusion across the province. Now, they did not give us much guidance as to what a broker should do, but we have had lots of conversations along the way, and Council members have been immensely helpful on this front. And I am really pleased to announce that we are ready to start hiring our innovation brokers. Our office will be issuing a request for expressions of interest beginning on May 16th for qualified and interested candidates as the first step in fulfilling those positions.

I am really excited by these roles. I think, for those of you who have heard me speak before, I share your excitement that this is actually something quite different. From my personal experiences in the political and business world, I know that there is immense value in the community representative or the community liaison function. And whether it is really understanding particular issues for the purpose of policy making or, frankly, understanding local customers for the purposes of generating revenue, what is consistent right across the board is the impact that these folks can have on the success of the social enterprise. They know who lives in the community. They work with them. They will know about, in this case, the healthcare providers, what is important to them, how to do business in that area, what the values are for the local community. Above all else, they are going to bring the insight into the people in those communities that will help ensure that the work that we are doing from the centre, if you will, not only is relevant to the people in the communities, but is done in the way that they would expect them to be done. It is the "what" and it is the "how," and those two components will be really, really important if we are actually going to succeed. Remember that I said we are only going to succeed if we engender collaboration across everyone.

I have often been asked what these people will do, specifically. Generally, the answer is that they are going to work with Ontario's innovators and healthcare providers to foster an even greater culture of innovation across the province than we already have. They are going to create enhanced connections, not just within the communities, but amongst themselves, so laterally across the province and from the Ministry into the community and the community back into the Ministries. Sometimes that is going to happen through me or colleagues that work in the office with me, but sometimes it might even be directly. They are more than a network. A network, to me, connotes a kind of lateralness, a one-dimensional aspect to the work. They are brokers. There will be lateral networks; there will be vertical networks, and it will be fluid. It will be dynamic. I really, really believe, as the Council did, that these could be true linchpins in accelerating the adoption and diffusion of our health technologies into the system.

In particular, for those of you who are considering putting your hand up, they are going to help remove the barriers to the scalability and adoption of innovation. They are going to link our growing Ontario-based health technology companies with opportunities, with key players and with supports. As I said, they will be our eyes and ears in the local community. Conversely, they are going to be the proverbial person on the other end of the phone, or maybe it will happen, literally, when people from those communities call with questions about how to navigate through the Ministry of Health or other ministries in Ontario. They are going to be the ones to articulate or help articulate the health priorities down to the innovation communities. Hopefully, as we go forward, those who are looking to innovate will have their ideas coincide with purpose, with the priorities of the Ministry of Health. They are going to inform the healthcare providers about the companies that are doing the exciting work around them. It is quite interesting how as many people as there are working on health and innovation—I will not identify folks in particular—but it is pretty incredible that you will meet people who have unbelievable ideas that can really help hospitals or healthcare providers, and they are a couple of kilometers from hospitals who are desperately looking for people with really innovative ideas to help hospitals and healthcare providers. It is just an interesting dynamic in the province right now. We feel that these brokers, as others are working now, will really help bring those people together.

How are we going to hire the brokers, and who are they? We want professionals. We want professionals who know the health sector. We want people who know Ontario's business climate. We want people with extensive networks and meaningful relationships with healthcare providers as well as the innovators and entrepreneurs and the innovation centres and incubation labs that exist in a particular region. We want them to be the same type of smart, hard-working, passionate professionals—the type I have met, literally, hundreds in my first six months in this role. Most of all, we want people to have that insight that I described and the sensibility to be proactive as we seek to optimize our investment in them and our investment in the healthcare system. Insight combined with that proactivity is what is most important.

We do not expect those people to quit their day jobs. In fact, we want people who are already highly skilled and probably gainfully employed. They are going to be part-time contractors, not employees, and we are going to expect 40% or a couple days a week of their time to fill the role. They could be a leader of an organization, a research team, a consortium, or based in the broader public sector. As I have been saying from the beginning, we desire to leverage what already works, so, if in fact, they sit on top of a brokering group that is already doing good work, that might be the best thing we can do. As a result, it could be someone leading that brokering organization. In other words, there are different options, and we are open to the type of person or group that will help ensure that we fulfill and realize the potential that we have before us.

To find our more and apply, I invite you to visit our new website, which brings me to the final announcement: We have just launched our website. You can find us at ontario.ca/healthinnovation. What you see there is just the beginning. I truly believe that websites are organic, and they will evolve as we learn more about what we are doing and get the benefit of people out there and their input into the website. Now, you will find information about OCHIS itself, our office, the Health Technologies Fund and the innovation brokers, but, eventually, I think it is going to be an information resource for everyone and even a place where networks can be built or brokering can happen between healthcare providers and innovators themselves. Please, check the site often as we go forward in this together. We welcome any and all feedback.

For those of you keeping score, we will be accepting innovation brokers' applications at ontario.ca/healthinnovation beginning on May 16. You will be able to access submission materials for the Health Technologies Fund on July 4, and I am relying on people like you to tell me what our new website could and should be anytime you want to.

There is a real innovation imperative in this province. It is important to get it right for us and for our children. I told you I loved this job, and that is in part because I believe we can actually make a difference, and we are going to do that in healthcare, one of the biggest job and wealth creators of the 21st century and one which we are well positioned, maybe even uniquely so, to win. There will be a tipping point. We do not have to change everything. With all that is around us and all the people that are looking to get this done, we are just going to have to change a few things. I truly believe that then we will have the viable ecosystem and thriving Ontario health tech companies that are growing and world-leading. Our band of merry warriors, aided by a shortlist of priorities and hundreds of smart, passionate, hard-working professionals out there, are going to get this job done. We are going to use our Health Technologies Fund, our brokers and our website as three principal and exciting tools to get that job done for you and for all Ontarians.

Thank you very much.

Question & Answer

Q: Bill, you mentioned adoption, and you talked about exports, and I know that exports is really key for your success. You have one barrier: It is called the CIOs of hospitals. We are told that there are disincentivized to adopt new technology in the United States. What can you do about that?

BC: There is a longer version of this speech, believe it or not, and that digs in on the procurement issue. So Rafi's question was one of the biggest barriers we have are the CIOs of hospitals who, frankly, are not incented to take the risk inherent in adopting innovative technologies. In the United States and other countries, it is actually quite explicit, for often they are told not just to procure innovation but sometimes evilly to do it from local companies. We know about that. We have heard it a lot, and we have our circle around that one. What we are doing is driving behavioural change. There are a couple things that are fundamental. As you know, one is that we need to have champions wherever they are in the system. I think we have those, but the second thing is to make sure that the individual objectives and, frankly, incentives, line up to all these big speeches that are coming out of the centre.

If we are serious about growing this health technology ecosystem and growing these companies in Ontario, and we are a single-payer system so there is only one place where these things can be procured, we need to make sure that the people doing those procurements are incented in the right way to make the decisions that line up with that objective. We just have to. I do not have a specific answer yet, but it is top of mind.

The other thing I will say—it is kind of a shout-out—generally, to people that I am working with, is I have not met anybody who says, "What you're trying to or what the government's trying to do is a bad idea." And that happens out there. It has happened to me. It has happened to others in the corporate environment, too. Sometimes there are just blockers. I truly believe that we do not have any blockers on this file. Now, it does not mean it is going to be easy. If it were easy, I mean, I would not be here today, and I would not have this job, but, on questions like that, I have already heard ideas from people that you might not expect to be putting forward such ideas, on how you could do things differently to create those incentives. Again, it is not easy, and there are bad days with the good days as there always are in any amazing job, but the interesting part is I find everybody lined up as solution-oriented. They are on that side of the room, and that literally leaves me optimistic. That is a great question, and I hope we get there. Thanks.

Note of Appreciation by Lesia Babiak, Executive Director, Government Affairs and Policy, Johnson & Johnson

Thank you, Paul. Bill, on behalf of everyone here today, I want to thank you for your inspiring message. Innovative health technologies save lives, improve quality of life for patients and families and increase productivity. They are essential to ensure the sustainability of our healthcare system and future growth of our economy. In your words, "Countries that innovate, prosper. Companies that innovate, prosper." As a leader in healthcare innovation for over a century, we at Johnson & Johnson congratulate the Government of Ontario for its policies to make the province a centre for new and innovative health technologies, to foster their development and uptake and to focus on their potential to improve health outcomes. We invest at J&J significantly in research in Ontario and throughout the world and have seen how it is essential to marshal large and small enterprises to align government policies and to attract the best talent in order to create a thriving innovation hub. We are delighted with J&J's expansion in Ontario with the upcoming launch of JLABS @ Toronto.

Bill, we are very fortunate, as a province, to have you in this critical role as Chief Health Innovation Strategist, and we look forward to collaborating with you and the government on advancing your important agenda. The work you will be doing will make such an important and positive impact on Ontario from jobs, health benefits, and health system sustainability and on generally making Ontarians' lives better. So delighted to see you primed into action. Thank you, again, for sharing your thoughts today.

Concluding Remarks by Paul Fogolin, First Vice President, Empire Club of Canada

A sincere thank you, once again, to Johnson & Johnson, our event sponsor for making this event possible. We are almost there, folks, close to the finish line. I would also like to thank the *National Post*, as our print media sponsor, Rogers TV, as our local broadcaster. I would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event to thousands of viewers around the world. Although our Club has been around since 1903, we have moved into the 21st century and are active on social media. Please, follow us on Twitter at @Empire_Club, and visit us online at www.empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram.

Finally, please, join us again soon. We have some excellent events scheduled in the coming weeks. On May the 30th, here at One King West Hotel, we will have Thomas G. Wellner, President and Chief Executive Officer of Revera, and on June the 3rd, we are very excited to have Chief Justice Beverley McLachlin at the Arcadian Court.

Thank you very much for your attendance today. This meeting is now officially adjourned.

The Empire Club Presents

THOMAS G. WELLNER
PRESIDENT AND CEO, REVERA:

May 30, 2016

Welcome Address by Paul Fogolin, Vice President, Empire Club of Canada

Good afternoon. From One King West Hotel in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada. For those of you who are just joining us through either the webcast or podcast or on Rogers TV, welcome, to the meeting today. Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our head table.

HEAD TABLE:

Distinguished Guest Speaker:

Thomas G. Wellner, President and CEO, Revera

Guests:

Mr. Colin Catherwood, Vice President of Investments, Welltower

Mr. Paul Fogolin, Vice President, Government Relations & Communications, Ontario Retirement Communities Association (ORCA); First Vice President, Empire Club of Canada

Ms. Hazel McCallion, Chief Elder Officer, Revera

Mr. Stephen Pincus, Partner, Goodmans LLP

Ms. Michelle Roth, Partner, Goodmans LLP

Hon. Mario Sergio, Vice President of Investments, Welltower

Mr. Tim Smitheman, Manager, Government Affairs, Union Gas Limited
Dr. Cal Stiller, Revera Board Member, Professor Emeritus in Medicine at the University of Western Ontario, Chair of the Ontario Institute of Cancer Research; Director, MaRS Discovery District
Mr. Jeff Zabudsky, President and Vice Chancellor, Sheridan Institute of Technology and Advanced Learning

Once again, my name is Paul Fogolin. I am the Vice President of Government Relations and Communications at the Ontario Retirement Communities Association and the first Vice President of the Empire Club of Canada. Ladies and gentlemen, your head table guests.

I would be remiss if I did not acknowledge two other special guests in the audience today, and that is the CEO of the Ontario Retirement Communities Association, my boss, Laurie Johnston and our Board Chair, Sharon Henderson. Now, that I have secured my Christmas bonus, on to the serious stuff.

Last year marked a significant demographic milestone: It was the first year in Canadian history where there were more seniors than children. Let that sink in for a moment. By 2041, seniors over 65 will represent one quarter of the Canadian population compared to around 15% today. The statistics are quite staggering. As the demands of older seniors change and evolve, it is incumbent upon the leaders operating within the so-called continuum of care that they evolve along with them, particularly, to support their independence, their well-being and their desire for choice.

It is also important, however, that we do not treat this silver tsunami as a problem to be solved. In fact, the term 'silver tsunami' itself is problematic because it insinuates that the aging population and the seniors that we serve are a burden, even a threat to society. Seniors are not a problem to be solved; they are our parents, our grandparents and friends. They fought wars, raised families and built this great country. They have lived meaningful lives, and they will continue to do so as they age, so, yes, there will be challenges. As people age, the body's resilience diminishes, so with more Canadians living longer than ever, we know that there will be an acute need for housing and care for this population.

But where there are challenges, there are always opportunities. In spite of the harrowing scale of the demands that we face, there is cause for optimism, cause for hope. This hope arises from the talented Canadians who are working and dedicated to improving the lives of seniors, whether in government, the volunteer world or the private sector. These are good people, capable people, compassionate people who are rising to the occasion and seeking a path forward. These people are committed to serving the needs of our aging population responsibly and, most importantly, with the respect and dignity that seniors deserve. Thomas G. Wellner is one of these people. To provide insight into Tom's background and vast array of accomplishments, it is my pleasure to welcome Mr. Stephen Pincus from Goodmans to the podium.

Introduction by Stephen Pincus, Partner, Goodmans LLP

Thank you, Paul. It is a special privilege to introduce Tom Wellner to you this afternoon. Tom is President and CEO of Revera Retirement Living, an iconic Canadian company in the senior living sector. He joined Revera in early 2014 from LifeLabs and CML where he led Canada's largest medical diagnostics company.

We at Goodmans have been fortunate to work closely with Tom at both Revera and CML. It is 20 years since we took CML public on the TSX, and we advised it through its evolution until its privatization under Tom's leadership in 2013. Coincidentally, this year also marks the 20th anniversary of our deep and ongoing involvement with Revera from the creation and subsequent combination of its two public predecessors through its structuring and development of its multifaceted businesses and to its continued growth into the international powerhouse that Tom leads today.

Revera serves more than 50,000 seniors by providing seniors' apartments, independent living, assisted living, memory care and long-term care in Canada, the United States and the United Kingdom. Tom joined Revera with extensive global healthcare experience, having played a transformative role not only at CML and LifeLabs, but also at international companies like Eli Lilly and Therapure Biopharma.

At Revera, Tom has already spearheaded innovation and transformational change and worked with several partners, including Welltower, to grow Revera's portfolio to more than 500 properties internationally.

Tom is a charismatic and extremely effective leader who inspires loyalty and dedication in everyone he works with. This is event every day as he leads Revera's team of 45,000 employees and, as you will see today, Tom is a highly strategic thinker with a creative and incisive mind, a clarity of vision on a broad range of issues and a passion for enhancing the quality of the aging experience.

It is in all our interests to challenge and eliminate ageism. It is difficult to imagine someone more suited to championing the project. Please, join me in welcoming Tom Wellner to the Empire Club.

Thomas Wellner

Wow, Paul and Stephen, thank you very much for that extremely generous introduction. When I ran into Stephen behind the curtains, he said he needed to do a little more research to dig out some more interesting insights into my background, but I told him he was okay.

Thank you all very much for taking time out of each of your busy days to be with us here today to talk about a very important subject: Ageism.

Before I get to my formal remarks, I just wanted to take an opportunity to personally thank a couple of members of the audience. First and foremost, my wife, Mary and my mother-in-law, Claire. Without them, you do not get very far, so thank you. The Honourable Mario Sergio, I wanted to say thank you for always being there for Revera. You seem to always be able to find time in your busy schedule to be here to support the interests of Ontario and Canadian seniors. Thank you. Our Board member, Dr. Cal Stiller, who has made the trek from London, Ontario. Recently, Cal has been recognized at the University of British Columbia with another recognition last week with an honourary doctorate, and he also delivered the commencement speech, which I found extremely interesting, and you can also pick it up on YouTube, but Dr. Stiller heads our Investment Committee and also has been a long-standing Board member of Revera, and we thank you for all your support.

We have our industry partners, Welltower along with Goodmans. We thank you for your kind support and the venerable Hazel McCallion, to whom I will refer later in my talk. We thank you, Revera's other CEO and Sheridan for the great work that we have done together on this report.

My formal remarks. Today, I would like to talk to you about aging and the opportunity we all have to make very real change in the lives of Canadian seniors with the actions we can take right now. When I became CEO of Revera two years ago, the Board made my mandate clear: Transform the company into a major owner-operator and investor in seniors living across Canada, the US and the UK.

What I did not know at the time was that I was also signing on to a social movement to combat ageism, but I was. And this movement is central to my talk today because changing that social view is vital to all of us. We are all getting older every minute of every day, even as we sit here together in this room. Today, our society tends to view aging as a slow period of decline. In reality, we view it as another stage of our lives that can be rich with learning and opportunity and tremendous happiness. To bring this perspective to life, I will talk about a new report we have just published that speaks to the challenges faced by Canada's fastest-growing segment of people, people over the age of 65. I will also touch on some of the ways organizations can serve, transform and invest in this, our richest cohort of consumers.

Finally, I want to issue a call to action to all of us individually, to organizations and to governments and regulators. Our attitudes, our policies and our action must all change to meet the needs of what is now six million Canadians. And by 2024, we will grow to eight million. Let me put a finer point on it. The real opportunity is to dramatically improve life for older adults. For some of you in this room, 65 may seem like light years away, but I can assure you that the changes we can make today will not only benefit your parents, they will also make a real and tangible difference to you in the not-to-distant future.

The overwhelming barrier to improving the lives of seniors is ageism, stereotyping or discriminating against a person because of their age. If I ask you to raise your hand if you have ever practiced ageism or if you have ever discriminated against people because they are gay or women or Black or Jewish, you would be outraged, but I can say I have practiced ageism. Have you ever said to a friend, "I'm having a senior's moment?" I know I have. Do you believe that you cannot teach an old dog new tricks? When you see someone walking slowly, do you think that their thinking has slowed as well? Do you speak to them more slowly or, perhaps, more loudly or, perhaps, in a voice more akin to a child? If you have done any of these things, you have practiced ageism, and you may not even know it, but not knowing it is likely why ageism is far the most tolerated form of social prejudice in Canada today—way ahead of racism and sexism.

Racism and sexism are widely called out swiftly. Ageism, not so much, but it needs to be, and it needs to start right now. That is just one of the conclusions from the "Revera Report on Ageism" conducted by Revera and the Sheridan Centre for Elder Research. In the report, we found that one in four Canadians admits to treating someone differently because of their age. The report's subtitle, "Independence and Choice as We Age," speaks to why ageism is both so widespread and difficult to root out. Some of it is driven by pride and by the word 'still': "Dad is 85, and he can *still* drive the car on his own." "Mom is 95, and she is *still* sharp as a tack." Older people have standing in our society only to the degree that they can do what younger people can do, and what happens if they cannot? Do they just disappear?

Some of ageism is fueled by us simply trying to be helpful, trying to do the right thing. But, unfortunately, by taking away seniors' independence and reducing their choice, we end up doing exactly the wrong thing. Our report revealed that more than half of Canadians over the age of 77 say that younger people assume they cannot do things for themselves. Worse, a quarter of adults say that because of their age, younger people are making choices for them. We use words like 'helpful' or 'responsible' to describe how we feel when we make decisions on behalf of seniors, but we need to listen to adults 77 and older who say they feel 'controlled' and 'annoyed' when choices are made for them. Ultimately, ageism robs seniors of independence and choice, but the good thing about ageism is that unlike most other -isms, it is not ingrained with bitterness or hatred; rather, it is covered by a gloss of ignorance that can often be scrubbed clean by a quick application of awareness.

At Revera, we are taking a leading role in tackling ageism. Today's "Revera Report" marks the second time we have issued such a call to action. The first was four years ago, when we partnered with the International Federation of Ageing on the first study of Canadians' attitudes towards aging.[1] From the report, we launched a campaign called "Age is More" to shed light on ageism as a significant social issue that prevents older people from living their life to the fullest. "Age is More" also celebrates the ageless spirit of older people.

Revera has more than 500 senior living communities across Canada, the US and the UK. And through millions and millions of human interactions every day, we serve the needs of seniors and their family. In my role as CEO, I have the honour and privilege of being able to spend time with older adults. Most of our residents are in their 80s and 90s, senior seniors or super-seniors as we like to call them, and what I learned from them is that this period of their lives can be tremendously rich and rewarding. I am not claiming growing old is a picnic, but as Betty Davis said, "Growing old isn't for sissies." However, we need to stop viewing this period in our lives as a time of decay and decline.

I recently visited Donway Place community here in Toronto where I met a resident named Mary Anna Higgins. Mary Anna is here today with us. Marianna, where are you? There you are. Mary Anna, if you do not know, teaches residents how to play the piano, and I play a little bit of piano myself. When I was at the Donway, Mary Anna kindly engaged me in a duet. After our duet was finished, we got to talking, and what I found most interesting was to learn the joy that Mary Anna gets by sharing her passion for music with the other residents in the community. And that sharing and how she is able to be with them and make a difference in their lives is tremendously important to both her as well as the other residents in the community because, after all, study after study reveals that the older you get, the happier and more optimistic you become—again disproving one of the building blocks of ageism that our 70s, 80s and 90s are spent marking time waiting for the end.

What is to be done? How can we change attitudes that feed ageism and starve the promise that growing old can have for all of us? Let me touch on a few recommendations in the "Revera Report," and I will start with a few that apply to us all, whether as individuals or organizations. For one, we can avoid making assumptions about what older adults want or can do. No surprise, when feel more independent and in control, we not only live longer, but we recover faster from health challenges, and our days are happier. In our business, what that means is reminding our personal support workers that if Gail Carnegie—where is Gail? Gail is here today. There you are. Gail is here from our Claremont residence in Toronto—would like a glass of wine, what we need our team to know is do not assume that Gail wants you to go and get that glass of wine. Gail may want to go and get that glass of wine herself because she has been doing it very successfully for many years.

For this to work, we need to know each of our residents on a personal level. We need to understand specifically what is important to them, and we can also recognize our own stereotypes and prejudices. Our Chief Elder Officer, Hazel McCallion, called out a memorable example of stereotyping in a now famous television commercial where she questioned our Former Prime Minster in last fall's election for presuming that senior citizens are, by nature, frightened. She looked into the camera and asked, "Do I look scared to you, Stephen?" Hurricane Hazel sets an example for all older adults to directly challenge the stereotypes that limit them, and by having her as part of Revera, she has been able to have some tremendously distinct and innovative conversations that I can never have with residents in our communities. She really embodies challenging us to all change our attitudes in that next phase of life.

The other thing we are doing is bringing younger people and older people together. The simple act of spending time with someone from a different generation is a powerful way to keep prejudice from forming, especially, when you are young, which is exactly when most of our prejudices form. In fact, we are doing this at Revera through another initiative called Revera and Reel Youth Age Is More Film Project. Reel Youth is a Vancouver-based nonprofit that helps young Canadians tell stories on film. Through this program, we have paired students with older adults, and we have made 80—yes, 80—short films that celebrate older Canadians and bring together what used to be the two solitudes of old and young. If you ever get an opportunity to participate in one of these films, you will find it a tremendously rewarding process.

Looking to our policymakers, I am confident they will understand that the report's recommendations are part of the larger movement to urge governments to inject more choice and independence into our systems of health and long-term care—not just provide better care, but make better use of our limited resources. To make that a reality, we are calling for older Canadians to always be at the table when discussing policies that affect them. This is not just 65-year-olds; this is 70-year-olds, 80-year-olds and 90-year-olds. Canadians 50 and older are our most affluent group of citizens, and, while there are no reliable statistics on the power of Canadians over 80 and spending patterns, we know that they and their adult children spend more on health and wellness. When do you not market to one of the richest segments of this society? When you do not do that, you do not tend to invest in it either, and you certainly do not focus on innovation, but those generations of neglect are starting to change. There has never been a greater opportunity for businesses to help older Canadians remain independent as long as possible. The potential upside is tremendous, and companies should do more to explore this expanding market.

At Revera, we believe passionately in both the social potential and the market potential of innovation in the senior sector, and we are not just advocating for innovation, we are driving innovation. I am pleased to announce today the launch of the Revera Innovators in Aging Program. What that is, is each year we are going to select up to 20 innovators that fit our criteria of helping residents, families and our staff in our communities. Those innovators will come into our communities, pilot their latest products and services on a much larger scale in a real-world setting than they have ever been able to do before. We will be testing everything from wearable sensors that help identify seniors' risks of falls to a device that improves blood flow to help wounds heal faster, to a mobile app that helps seniors stay connected to their loved ones and caregivers.

We have earmarked $20 million to invest over the next five years in some of the innovative companies that we believe can become commercially successful. Our investees will not just have great ideas; they will also have customers with the potential to be introduced into our network and beyond. As John Ruffolo, the co-founder of the Council of Canadian Innovators said about innovation, "We in Canada don't have a starting up problem; we have a finishing up problem." So, we are going to help entrepreneurs finish up. In many cases, Revera can become their biggest customer. We can also make our business more efficient and offer higher quality services and a better experience to our residents.

Here is an example of what I mean. We are piloting a meal service platform called Continyou Care in a number of our communities. This is an app that allows for greater personalization during mealtime. When a staff takes a food order from a resident, they will automatically know their dietary restrictions and their meal preferences, and, even better, by streamlining this order process, Continyou Care helps us provide faster food service while our staff takes less time taking orders and more time delivering great customer experience.

I would like to acknowledge some of the talented innovators here with us in the room today. Sameer of Sensassure, where are you? There you are. Thavis and Kolden of Continyou Care and Geoff of Perfuse Medtec, who will all be important partners within our Revera Innovators in Aging Program. I would also like to recognize Bill Jarvis. Bill is one of our residents at Northridge Long Term Care home, and Bill is taking on the very important role of "Revera Resident Innovation Ambassador." What Bill will help us with—and he is very passionate about this as you get to know Bill—is to really make sure that we are focused on the right things for the residents and the right things for the family and make sure that the technologies we choose will do exactly that.

I cannot believe that technology has not yet truly caught up to this older demographic, and, in my mind, this presents huge opportunity, not just for Revera, but for many of you and your organizations today. The senior living sector will be swept with change within five years, and, 20 years from now, people will look back on this world of senior living the way we look back at life before the iPhone and Facebook.

What none of us should tolerate anymore is the one thing I mentioned in the beginning of my remarks today, and that is ageism. If ageism did not exist, much of the fear and ignorance that characterizes many of the interactions that we have with the elderly would change for the better. And change starts here. So, to our policymakers and businesses I say this: We stand on the cusp of tremendous social change, and this change presents a significant opportunity to look at seniors differently, to invest in seniors differently and to work with seniors differently. To all of us here today, individually, I say this: The next time you interact with a senior person, ask yourself if you are being ageist. Check your language; check your assumptions. No more "I'm having a senior's moment." No more being "over the hill." No more thinking, "You can't teach an old dog new tricks." We must respect older adults and include them in all the decisions that affect them, never making assumptions about what they can and cannot do. If we can do this, when we are all 80 or 90 or 100, we will be treated with the same respect we are today, and we will enjoy the same independence and choice we do today. Ending ageism will benefit all of us for years to come. Thank you very much.

Q: I have a quick question: You have these wonderful 80 short films. Do you have an idea of what you are going to do with them and how you can demonstrate the individuals in each film?

TW: Sure. It is a great question. If anybody did not hear it, with the Revera Reel Youth Film Project, we have the 80 films. What we do with those films is we initially have sessions at our communities where we bring together the filmmakers as well as the residents and their families. It is actually a magical event. It is sort of like a mini-Academy Awards, if you will, and they basically get—and it is a tremendously powerful interaction when they get together. We also use those films, where it is appropriate and where we get releases to do so, to educate our staff and our teams. We have used them in a variety of ways to promote and in some of our commercials as well. Janet and her team do a fantastic job from our communications group to make that happen, but they are tremendously motivating.

Q: If there is one thing that policymakers could do to make a difference, what would you say that would be?

TW: That is great. We sort of touched on it at our lunch discussion. We operate across multiple countries, so I get an opportunity, and I personally have had a chance to work, I think in 30 or 40 different jurisdictions all in healthcare. I have always worked in regulated environments, and I guess what I would say is, aside from what the report recommends, which is really involving seniors in decisions that affect them and not just stopping at 65— do that through the continuum—the main thing I would say is look at policies not just that focus on these steps and regulations monitoring what people are doing, but look at the outcomes. We are, in a lot of cases, having many, many regulations that actually are not practical. I will give you an example: If we in our long term care division respond to a resident's request to have a meal at 5:00PM, and we actually deliver that at 4:30PM, and we do not properly document that, we get cited for not following the rules. To me, you have to focus on outcomes. I think more and more, the more we can focus and weight the balance and outcomes versus the steps to those outcomes, I think it would be better.

Q: Hi, Tom. I think you had a great message, and your research with Sheridan Centre is really compelling. How do we take this and move it outside our companies and our sector to make sure that this movement is being embraced outside of the people here who are so interested in it because we have to take this beyond just seniors' housing? I think it is a really important message.

TW: No, thank you. I do believe it is well beyond seniors' housing. I think people make choices about how they want to live their lives as they grow older. I think each of us can change our own attitudes, but I do think the cohort of "baby boomers" that are there and are coming into this sector are starting to see things and do things through the lens of caring for their parents. I think one of the biggest ways we can unleash the power and the collectivism that can really move this forward is to really activate that baby boomer because that group has always gotten what they wanted since the beginning of the demographic movement. If we can harness and do things within that cohort, I think there will be a tremendously broad wave of push to get the right things in place.

Note of Appreciation by Michelle Roth, Partner, Goodmans LLP

Hello, everybody. As Paul just mentioned, I am a partner at Goodmans, and, as many of you know, I am also the Chair of something called the Canadian Senior Symposium, in which I get the pleasure of working with many wonderful innovators, including Tom. Tom, with your usual flair, your delivery was vibrant, thought-provoking and very compelling.

I want to share a short vignette that I witnessed a few weeks ago at the Goodmans Innovation and Technology Showcase for Aging. Dr. Bill Thomas—some of you may know him; some of you may have seen him—was named one of the USA's top ten innovators by the *Wall Street Journal.* It is from him that we learned that the most obscene four-letter word—Tom mentioned it, by the way—is an s-word, but it is not the one you think. It is, as Tom mentioned, the word 'still': "Mom is *still* able to do this." That touched so deeply on the roots of how ingrained ageism is in our minds and in the way that we think and operate.

Dr. Bill Thomas also asked a question that day. It was a pretty simple one: "Who amongst you"—and this is a crowd of 100+ of our nation's leaders, leaders on aging and seniors' housing—has created an innovation department?" In this group, the first and possibly the only person who raised his hand was Tom. I remember thinking then that

Tom is our true pioneer, perhaps, as Dr. Stiller would say, “the man on the moon.” The all-knowing Wikipedia defines ‘pioneer’ as “someone who opens up the road to apply, initiate or spearhead a new method, area of knowledge or activity.” I would add to that “a new way of thinking.” Tom is most certainly driving that wagon, and we will eagerly keep our eyes on Tom’s leadership and this brave new world of aging technology and in the battle against ageism.

One of the most important things that Tom is doing is multi-pronged pioneering, so technology innovation spans just a huge mass of matrices: Sophisticated medication and activity tracking, as Tom mentioned; artificial intelligence; brain mapping; virtual reality therapies. But there is another aspect to it that Tom and Revera are also deeply devoted to, and that is the human aspect of it, one of the pieces of armour that we really will have in this battle and that looks at things like how seniors experience the world—and it is the same way that we want to experience the world. We want good food; we want artisanal food, farm-to-table food. We want craft beers, wonderful wines that we can get ourselves if we want to. Tom and Revera hit the nail on the head. They understand this. They also understand that there are innovative technologies around music and other activities.

I had a wonderful moment when I was speaking with a few students, and one of the students was a student from Greenwood College. I was actually interviewing to see whether it was a suitable place for my children, and I asked the question, "What was your favourite day at Greenwood this year?" The answer I got was, "My favourite days"—not "day"—"were the days I spent at the Claremont," because Tom and Revera had instituted something similar to this Reel Youth Program where the students of Greenwood would go over and help the residents of Greenwood learn to program iPods, learn how to select music, how to find genres, possibly even how to produce a little music. And that was the students. I had not yet interviewed a senior, but that was a student's favourite time in learning. And that really says a lot about what Tom and Revera are doing.

Thank you, Tom, for taking on the mantle of changemaker in an aging world that simply cannot afford and simply does not deserve anything less. Before stepping down, I would be remiss if I did not offer our appreciation for the Empire Club and, particularly, Taylor Reid and Paul Fogolin. They have been beyond gracious in allowing both Stephen and I to highlight Goodmans' pride in Tom and our pride in Revera, and I am sure that I am not alone in my impression that this was a wonderfully orchestrated and captivating event. Thank you.

Concluding Remarks by Paul Fogolin, Vice President, Empire Club of Canada

Thanks, again, to Goodmans, our event partner for making this possible. We are close to the finish line, I promise you. A few housekeeping pieces before we head out into the hot sun. I would also like to thank the *National Post,* as our media sponsor and Rogers TV, our local broadcaster. We would like to thank Mediaevents.ca, Canada's online event space, for live webcasting today's event to thousands of viewers around the world.

Although our Club has been around since 1903, we have moved into the 21st century, and we are active on social media. Please, follow us on Twitter at @Empire_Club, and visit us online at www.empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram—no Snapchat yet. We will get to that.

Finally, please, join us again soon. We have some extraordinary events lined up: Next up we have Anthony Haines, President and CEO of the Toronto Hydro Corporation on June 2nd at the Arcadian Court. Next, we will have Chief Justice McLachlin on June 3rd, also at the Arcadian Court. And, last but not least, Premier Brad Wall, premier of Saskatchewan, will speak on June 14th, also at the Arcadian Court.

Thank you, once again, for attending today. This meeting is now officially adjourned.

The Empire Club Presents

ANTHONY HAINES PRESIDENT & CEO, TORONTO HYDRO CORPORATION:

MANAGING DISRUPTIVE CHANGE IN THE ELECTRICITY INDUSTRY

June 2, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to this, the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us either through our webcast, our podcast or on Rogers TV, welcome, to our meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce you to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Mr. Anthony Haines, President and CEO, Toronto Hydro Corporation

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Mr. Bob Huggard, President & CEO, Ontario Energy Association
Mr. Faisal Kazi, Vice President, Energy, Siemens
Mr. Mike Kraljevic, President & CEO, Toronto Port Lands Company
Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada
Mr. Dan Seto, COO and Director, CircuitMeter
Mr. Todd Williams, Managing Director and Head of Navigant Energy Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and President of the Empire Club of Canada. Ladies and gentlemen, your head table.

We also have a group of students joining us today, ladies and gentlemen. Our students today are from Centennial College. Students, welcome.

Electricity and, more precisely, hydroelectricity has been something that the Empire Club has talked about since we were first set up 112 years ago in 1903. In fact, it is easily one of this Club's top ten subjects of all time. There have been literally hundreds of speakers who addressed this topic over the last century and a bit, and, while the issues have changed dramatically over the decades, the importance of the topic to the local, provincial and national economies has not.

Take for example, one of the most memorable speeches from 1906, 110 years ago, when the Chairman of Hydro-Electric Power Commission, Cecil B. Smith, came to the Club and addressed its members on "The Hydro-

Electric Question." Back then, as you probably all know, Niagara Falls was the centre of the electricity universe, and it seemed that this form of energy was boundless for all time. There was already good recognition that the industry was at the heart and soul of any successful economy.

I would like to just read you a brief quote from that speech. We always try and put our guests in some kind of historical context. Here is what people were thinking about in the electricity universe in 1906:

> The distribution of electrical energy in a city is a great benefit. It is a natural monopoly. It should be done by one company, and the only question in your mind to decide is, *Do you decide to use your financial strength to go into the business for the sake of having that distribution carried on more cheaply than a company could carry it on?* And it iss self-evident that a company is there to make money and that a city, if it had the business, would be there to make the city grow. Therefore, that is the way I would like to leave it with you to consider, that there is an unlimited source of electrical power at Niagara Falls that the use of that power throughout this peninsula will maintain its industrial position and strength, and, I might say, if you do not use it, you will not maintain your industrial position. There are lots of towns and cities

> across Ontario that are into business, and they are going to have lots of electrical needs in the future for their manufacturers. If their manufacturers do not get that electricity, they will go elsewhere. I know of industries that are making preparations to move based entirely on the fact that they are going to get electric power, knowing that the city is going into the business of delivering electrical power to its manufacturers.

Obviously, back then, there was a very different context with the idea that electricity was endless; it was a resource that would never run out, but also with that ultimatum that "You had better pay attention, folks, because, if you do not do this, somebody else will and make a lot of money doing it."

Toronto and the future GTA area certainly did not elect to leave things as they were and, in fact, became a huge producer and consumer of electricity. Over the decades, we faced each new challenge from both a business and a societal perspective, ensuring the success of our metropolis as one of the world's great cities to live and work in.

Today, we continue to have many issues to discuss and work around, particularly, in the energy field, which is why we are so happy today to welcome the CEO of Toronto Hydro. To do the second half of this introduction and to introduce the man himself, I am very pleased to introduce to you to Faisil Kazi, the Vice President of Energy for Siemens, who will carry on this introduction.

Introduction by Faisil Kazi, Vice President, Energy, Siemens

Thank you very much. It is my pleasure and my honour to introduce Anthony Haines today. The Empire Club of Canada, as you all heard, has been recognized as one of Canada's oldest speaker forums, as it was established in 1903. Throughout the years, the Empire Club has hosted many influential Canadian and international professionals, providing thought leadership from many industries. Today, you will have the opportunity to hear one of them, Anthony Haines.

Anthony is the President and Chief Executive Officer of Toronto Hydro Corporation and its subsidiaries, which is one of the largest urban electricity distribution companies in Canada. He has 25 years of experience in the Canadian energy industry, including 15 years in various management positions in the natural gas industry.

Anthony currently sits on the Ontario Energy Association Board of Directors and is the incoming Chair for 2017. In addition, he served as Chair of the Canadian Electricity Association from 2013–2015. Despite all of his responsibilities, I am quite impressed that he is actively involved in fundraising efforts for the Ross Tilley Burn Centre at Sunnybrook Hospital. This is the largest and most advanced burn treatment centre in Canada, and it is a leading researcher on electrical injury rehabilitation.

Anthony is also the recipient of the Electricity Distributors Association's Chair's Citation Award, OEA's Leader of the Year and the Energy Council of Canada's 2014 Canadian Energy Person of the Year. Ladies and gentlemen, please, join me to give a warm welcome to Anthony Haines.

Anthony Haines

Well, hello, everybody, and, thank you, for coming out to hear a couple of comments from me today. Gord, that was a wonderful introduction to the sector and to some of the issues we are going to be talking about today. The piece I most appreciate about it is that I was reminded about some of our history of Toronto Hydro as you were giving some history of the industry. It was a number of years ago that I was standing in our foyer, and, in our foyer, we have a niche and inside that niche was a Board book. It was the Minutes of a Board meeting that had happened roughly 100 years earlier. I was standing around waiting for whatever I was off to do and got a chance to read these minutes. The discussion that the Board was having was whether they should refund the customer's bill for the month because the service was so bad. I am pleased to say that the service has gone up. You did not raise that as the example that you wanted to put to me this afternoon as to whether our service should be refunded or not. I appreciate the lovely context with which you start my comments.

It is truly a pleasure to be with you today. I am going to, I suppose, spend 20 or 25 minutes talking to you, and I hope that we will have a chance to take a few questions at the end. Those that know me and have heard me talk before, you will find that I tend to talk relaxed, without notes. There is something very unusual about my speech today, and that is because I come, actually, with some notes. I find that unusual, so I thought I would comment on that. Why does Anthony have notes today? The reason is I want to start talking to you about changes that have been going on in our sector just this year alone. I thought I had a pretty good memory, and I suddenly realized that there are so many that I had to write them down. Maybe that is a good starting point for us to think about all the things that are going on in this energy sector in Ontario.

What I am going to try to do with you is to put some context into them because, as I sit back and I hear from my friends and family and neighbours and colleagues, everybody generally asks me the same questions: "How does this all fit together? How does this all make sense?" There have been so many disparate pieces. If you will, today's talk is going to be taking these pieces of the puzzle and seeing if we can link them together in a story about energy in Ontario.

Let us talk a little about just this year alone, just this year, six months in the electricity and natural gas industry in this province. We started the year, January 1st, with a rate increase, which is a fairly large rate increase, 6%, 7% for our customers. We will talk about what that is all about. Then, a month or so went by and there was a report that came out by a very official-looking group that said that conservation programs are a total waste of money, that we are wasting billions of dollars because we are helping customers use energy more efficiently. A couple weeks later, the Ontario Energy Board puts an announcement out about commodity price increases because we are not using enough electricity. Wait a minute, are not we trying to use less?

I am just halfway on my list. Then we have some rate increases. Toronto Hydro's rate increase for '15 gets done. We are in '16. Then cap and trade comes along. What does that mean? How does that fit into the story? We are not even finished yet. A month ago, a document gets leaked. We are off of natural gas; we no longer like natural gas. This week, hang on a minute, we did not mean natural gas as in natural gas; we kind of like natural gas. Maybe there is a place for it. Of course, now, finally, there are rumours of shuffles, of Ministries, Cabinets and all the rest of it, so it has been kind of an interesting six months in the world that we live in.

How does all that make sense? How does it all fit together? Let us talk about that a little bit. I hope some of you in the back are not going to be completely unable to see this, but I will do my best. We cannot have a conversation about electricity in this province without talking about price because it always ends up with price, does it not? Can we be candid? Price has been going up. The price has roughly doubled in the last ten years. I know you guys cannot see this, so let me just tell you why, for the students back there—although, you guys are young; you probably have good eyes. The yellow part is the commodity price. That is the price of electricity that is generated, that we all use. That has been the major contributor to the price doubling.

There is a piece up at the top there where new tax and policy regimes were being put in place. Let us just stop on these two points for a second and see if we can make sense of them. I want to talk about the first one, the introduction of an incentive program that came in force in January of this year, part of the reason for the increase I talked about. I, actually, agree with it. What it foundationally was doing was going from a system of rebate that we had that everybody got to one that was targeted for those that need it most. As a policy matter, I think that is good policy. In other words, there are so many of us that are so blessed and do not need those kind of programs, but, for those that do, that have a legitimate need to reprioritize that into that form, I think is a good idea.

Let us talk about the commodity price. This journey really starts a decade ago when the announcement to get off coal happened. You will remember some of the conversations at the time. In some ways, you will probably remember them in the sense that you read them in the newspaper in the last few days because some of the same language is being repeated. But you will recall that the conversation was that we have to do this as an imperative for our children and for our life, that we had simply to get out of the pollution that was being generated by coal. Remember the things that we talked about at the time? We said, “Okay, you’re not going to be able to do that because coal is necessary as an alternative to nuclear.” In other words, they have different attributes; we need it to fit inside there; it is low cost; it is in place now, and it is driving a major economic engine in this province with low-cost electricity. Do you remember all that talk?

The impacts of that are in that yellow region. But I think, in fairness, we have to also talk about the attributes associated with that. Do you know for the year of that announcement, how many pollution warning days there were? I know some of you heard me give this before. There were 32 that summer. In other words, 32 times that summer, we were advised as Ontarians not to go outside and breathe in. Do you know how many we had last year? Now, you may say that is a quirk. Do you know how many we had the year before? While there has been an increase in this policy, there have been some benefits that we all have to agree that we have realized. But there is a cost associated with it. So, now, we are talking about that we are targeting incentive programs for those that need them; we are cleaning up our fleet to have the environmental attributes that we want.

There is another side to the story because we are just talking about price. Price does not mean that is how much your bill is because its price times consumption. You know what is going on with consumption in the average household? Consumption has gone down by one third. Same houses. What the conservation programs fundamentally do is they encourage you to get rid of an appliance before the end of its life. It may be in a light bulb; it may be a furnace; it may be windows, doors and other things, but, foundationally, what it is doing is saying, "Get rid of that stuff because it is costing you too much; we are going to help you do it." There is the measure of success.

It is often said to me, "Well, it's back to this. Oh, no, it's a waste of money; it's run its course; we've now achieved the maximum available." We have looked at that. I am going to point out that, as a company with the smart meter programs, we have billions of pieces of data. When you overlay wherever you do the programs, you get a profile of customers. What you will find now is there are two kinds of customers: Customers that have adopted change and customers that have resisted it. The customers that have adopted change have brought their loads down, and the customers that have resisted it, have not. The question is, *Have we reached the end of the journey?* We know well now what the trending is, what the programs will deliver and so, I am going to say to you that I think, on average, we are only halfway there. We actually have almost as far to go as we have travelled already. So, there are still massive opportunities ahead of us.

All of that starts, though, with a customer who understands what is going on. I hate to ask for a show of hands who understands their electricity bill because I do not, and I guess if somebody should, I guess I should. But it starts with information. Let us not use bill stuffers and bills to send out information. It is done through a more dynamic relationship, so customers can understand what they are doing and what impacts their life has on their bill. That is largely the key to success around these programs.

I have to confess something to you: When we started this journey roughly ten years ago in conservation, we had a program, these pigtail light bulbs, the low-efficiency lightbulbs and, of course, they were very well-meaning, but misguided people showed up in my office and gave me a box of these things and said it was my social responsibility to go home and put them in my house, which I did, being the sort who does what I am told to do. And they were awful. They were awful. It was that white light that made me think I was being interrogated. They burned out. They were supposed to last ten years, and they burnt out in ten minutes. I thought the most interesting thing about them was when I was selling that house, my realtor—you know, the realtors kind of come through and do a little walk around—said, "Get rid of those lights. They're lowering the value of your house." Remember, I just handed out 5 million of them. Apparently, I, myself, am doing my best to keep real estate down in Toronto. The point being, they were so awful, I got turned off.

What happened? Here is my confession: I was doing some lighting work on some lights that I could not reach, and I had big pain, so I got somebody to do it and all this nonsense, and then somebody said, "Well, you should use an LED light."

"I've done them before; I hate those things."

They actually showed me some bulbs. Unbelievable. You can now buy them by colour bandwidth. They meet any configuration, but you know the two things that really blew my mind when I used them? I read the packaging and thought "Oh, this thing only uses 50¢ of electricity for the year, number one. And number two—and maybe this is depressing for me—I realized that the lightbulb is going to last longer than I was. They actually have, I don't know, 35,000 hours of life in them. I started thinking, "Oh, my goodness, my kids will change these lightbulbs; I will never change this lightbulb." My point being out of all of that—and it becomes relevant for us in a few minutes—is that I did not change because it was an incentive and I got a coupon in the mail. The product changed, so it was the best thing for me. It came and met me; I did not go and meet it. That is what happened. I am thrilled by it. They light, when I turn the switch. It does not look like I have a wiring problem at home.

I have this little app. I am into your smart homes and all this kind of stuff. I put them in my devices, and, on my little app; it tells me how much energy I use. I could show you afterwards, but I will show you my house without and with. I would flip a light on; it would be like 1,300 watts would be getting sucked out of the system. I change the lightbulb, and it was, like, six watts. I thought there was a problem with the app. I thought it could not recognize the change in the technology, but, in fact, that is what was going on—no change in functionality! I still turn the lights on, and I get light, and it is quality light. My confession is that the market is moving. There are still massive opportunities ahead of us.

Let us put these two things together quickly. Rates are going up. We got that. Consumption is going down. What is the crossroads of all that? The media will leave you with that impression, correct? Correct? When you hear Toronto Hydro's rates went up by 1.7%, you think your bill is going to go up, but, in actual fact, because of all of this, that is largely what has been happening. We, as a city, have been offsetting all of the new loads with conservation programs. That means when a tower 70-storeys high gets brought onto the system, we have taken same volume off. Everybody says, "Oh, you must be getting massive new revenues." Actually, not true whatsoever. We are actually flat. The program has really been keeping up with pace. This is about to change, but that is what has been going on.

Let us move forward now into energy policy now in this province. Off of coal. I talked about it, right? It was not going to work—cannot afford it; needed the attribute. Policy needed to change there, and it did change, and it is done. This becomes our greatest opportunity.

Then we get the building code. It is not just the conservation programs that are going on, the building is getting better; the equipment is getting better; the manufacturing techniques are getting better. All of that has been legislated its way through. These things working in unison have really been what is driving that profile of the customer.

What has been going on with Toronto? This is such a cool slide. I love this slide! Can you guys see this back there? Because I want you to see. I will do this a couple of times. That is Toronto 15 years ago. That is three years ago. I tried to get one—I could not quite get the right angle. You cannot see the Rogers Centre anymore. Can I go back? There we are. That is in ten years. That is what is going on with this city. *That* is the service that we are trying to provide without adding any infrastructure to support it. We have been able to achieve that largely through conservation programs.

We move on, and we say, "Okay, we have a collision now of environment and energy." I personally think the two will never be pulled apart again or should never be pulled apart. You cannot talk about energy without talking about the environment. Fair? And when we look at the distribution of where the carbon is produced, there are two things: Heating and fuel now— transportation, gasoline. These become our next challenges, right, and they are huge challenges. What was the saying about change? Who are the only people that like change? Do you remember this one? The only people that like change are wet babies. We resist change as adults. It is our nature to feel comfortable in our place that we currently stand. Change is hard. We should recognize it. It is more about change management than it is about technology management.

Do we have a wet diaper? Are we ready for change again, or would we like to hold our ground and take a pause? I think that is the question that Ontario is asking itself now. What are the consequences? But the thing that I want to be careful about criticizing or being careful not to criticize is that the language I read in the newspaper around the question of the footprint with natural gas was exactly the same discussion and language that was used around coal: "Well, we need it because it is the fuel that makes sense when you have electricity. It is the right offsetting fuel." "It is a low-cost choice." These were foundationally the same language, but there is one fundamental difference: We are the consumer. It is at the other end of the system, not at the top end of the system that we were largely indifferent to. There is a foundational difference; I get that. But the question is how does this policy fit into place?

Let us start talking about that for a second. Natural gas. What should we do with natural gas? There is a draft leaked report out there that says it should be banned by legislation. Do we think that is a good strategy or not? Let us talk about these pieces that are going on here. Cap and trade—you guys know what cap and trade does? It puts a price tag on pollution. Why do you need a price tag on pollution? Because these fuels have got such abundance now, the pricing is so low, that you will not get fuel switching by natural economics. What you try to do is you put a price into it to reflect the footprint that it produces. How do you avoid paying that? You can go off; you can do one of two things: You can buy a credit, a pollution credit from somebody who has one. They did some work, and they get a credit, and they sell it to me, and I get to continue on polluting. Or I do some work myself, and I reduce my pollution. That is kind of how that cap and trade works.

There is a great conversation going on, because we, here in Ontario, have linked together with the model from Québec and California. *Is that the right linkage?* is the foundational question. There is a criticism of *What is going to happen here with this $2 billion a year, which will be basically taxed into the model? Where will that money go?* There is no doubt in my mind that it leaves Ontario.

Most of it will go to California. The question I have is *Is that a bad thing or not?* Certainly, as an Ontarian and Torontonian, I would have to say yes, but we have to step back and look at the objective that we are trying to achieve here. The objective is an environmental one. And *Is the environment a local issue or global issue?* I think, is the question that needs to be answered. I have this very crass way of describing this, so I apologize for anybody I am about to offend, but, to me, it is like the question of swimming in the no peeing end of the pool. Can you really achieve that objective? Well, of course you cannot. Is it so bad that we achieve a global environmental improvement regardless of where it is? It does not matter if it is in the urine end of the pool or the other end of the pool as long as it is achieved globally.

I am not as fussed, putting aside the economics of $1 billion, $1.5 billion leaving this province. I am not as fussed about that if we accept that everybody has got to get on the system. In other words, there must not be winners and losers associated with that model.

Fuel switching, natural gas, hey, this is the question of the century, as far as I am concerned. Natural gas on a peak day produces, from an energy point of view, three, four times what our electric grid produces. It is a high-capital investment industry. It is a lot like the electricity grid, and the assets are in place, and it is working, and it is working magnificently. The question is, *Is it going to be outlawed?*

Is it going to be an early transition? Does it have some applications that make sense and some that do not? I will observe in my neighbourhood oil trucks delivering oil to furnaces. Wow, we are worried about natural gas? Have you seen Bunker C oil? That is that stuff at the bottom that we pave our roads with. That is going up the chimney. There is no question that there are opportunities, even within our own environment locally that we can still do good work in a natural gas environment. There is no question when we think about the distant communities in this province who are burning diesel fuel. Natural gas can play such a critical role. There is no question that natural gas is a feedstock for many important industries. It is an employer here that we cannot turn our back on. Not to make excuses, but this program, whatever program we have, has got to be orderly. I would propose that it should be voluntary because, when you get a voluntary incentive-based program, it will find its natural economic equilibrium. I think it is the right policy; it just needs a little tweaking.

I am going to just spend a couple more minutes with you on transportation. Did you see the Tesla 3? I gather that there are almost 500,000 orders now. Just to give you a sense of that, the biggest plants in GM produce less than half of that number of volume. That happened in roughly a week. You know what is really, really interesting that I am having some fun watching? When you look at what happened in the social media with this thing, it was the most successful product launch in global history. And they did not even have a product. There is some genius inside there, because you know those that have ever spent marketing dollars, you get this how many hits you got, and it is all this fluffy stuff. They must be going crazy looking at the graphs. It had more hits than the iPhone when it was launched—an electric car. An electric car got more hits. For a weeklong period, it basically monopolized the social media.

Here is where I become sort of an analytical nerd. You know what they were talking about? They were talking about the affordability of the thing, the excitement about it, things like that. There is a major piece that was not on there that surprised me when I looked at this data because something had changed. Do you know what is not there when you think about the electric car? It is going to be interesting to see if anybody comes up with this here. Five years ago when we started our electric car program, we actually had a program where if your battery went dead while you were driving, we would come and pick you up, and then we would haul your car to a charger. You know how many times we used it? Zero. There is your hint. Do you see anything on there about range? It has gone out of the discussion of the electric car. There was no discussion about the range of the thing. It was about the affordability of the thing. We have just had an event, an elasticity event, for those economists in the room. We just found where price crosses over. Why is that? What we know when we look at the electric car in Toronto, being used for years, is massive savings.

I gave a little talk, looking at these differences—it is about a $1,000 difference between the gasoline car and the electric car in an annual operating cost. If you bought an electric car, you would displace three quarters of your electricity bill. You would offset three quarters of your electricity bill if you just bought an electric car.

I want to go back to my comments that I raised with you about my LED lightbulb. Does this feel a little like that? When we started off on this journey, it was the Smart Car, and it was like driving a sewing machine—it had no range. Let us face it: At least as a guy, there were no women looking at me driving my Smart Car. Now, we have this beautiful new model, priced effectively and appropriately, massive savings and massive social benefit. Is not that what I just described with the LED lightbulb? It is all those attributes just playing themselves out in something with four wheels. I think we will never look back at this moment. We will never look back from this moment because this is our future.

Forget the numbers. It does not really matter. There are the sales in Toronto. You can pick whatever numbers you want. How do they charge? One of the things that Toronto is quite unique about is a huge volume of us, as a group of people, we have a huge volume of people that have a parking place, an individual private parking spot, either a garage, pad, condo, et cetera. That makes us a bit unique in the world. Our thinking is it is going to be about 80% charged at home, meaning that you are more likely to just come home at night and plug it in. We actually know, now, that people generally park and plug about once a week. That whole anxiety of coming home every day and having to go through that: Gone; it is history. There has got to be multiple solutions. Volumes on these things when they plug in are through the roof. A bit techie, but the level three chargers now that some of the people are asking for in their homes charge the Tesla in half an hour. Of course, all their neighbours' houses dim, but it is sort of, like, instantaneously putting a couple more houses on the grid between you and your neighbour. The charging is advancing, but we know, the thing we know about it is it happens at the same time as the peak in your house. You come home; you plug in; you go in the house; you turn the dryer on, turn the range on, turn the TV on.

I do not know if you are like me, but what does Mayor Tory call it? An 'integrated transit strategy'? I think they had the latest announcement today. I am going to change the name of it to the 'integrated *electric* transit strategy'. That is what it is. All of those pieces—I think the little pink piece, the Relief Line, got announced today. On top of all these cars, there is the grid that is getting built, and these are huge loads. Let us talk honestly about our capacity as an industry to deliver a solution. I think the general consensus is that we are just idling and we have so much capacity—just plug it in. This is all coming at no cost, so let us talk about that.

Let me explain this complicated graph. The white part is how consumption looks in Toronto on a 24-hour period, so it has got a curve to it. If you look at that curve ten years ago, it would be very spikey. Now, through our programs, we have levelled it to sort of a nice wave. In other words, we have lowered the peak and raised the valley. But what we have also done, as I described earlier, is we have lowered the consumption overall. You see the blue? That is the capacity that is in our system, generally. It is not exact, so do not—for those people that are from the OAB or something—get cranked about my evidence here, but there is capacity in the system. That is the point.

The green, though—and do you see how we had to cut the green, because the scale would not work?—foundationally, is the big question, and it basically says that if we move to any kind of concentration of vehicles and home heating or heat pumps or other programs, we will conservatively go between three and four times the throughput on the system.

What I can tell you is our system does not sit at 25% capacity today. I am sure that is not a surprise to you. This is actually a graphic of our distribution system. This is in our evidence. There are 36 stations, transformation stations.

What the green is, is that we have got enough capacity sort of for normal life over the next ten years. The yellow is that we are getting some problems. The red is "Dream on," assuming no electric vehicles and no conversion of fuel from natural gas. Do you think that is a good working assumption? The question is, *How much is it going to cost?*

Listen, I have not had people work the numbers, because it is somewhat irrelevant at this point, but I think it is fair to say we will add numbers by five and six billions at a go. In other words, the costs to rebuild the backbone and the big delivery stations in the city will be enormous because we have stations; all of the stations are largely reaching 100%. If you have got to add four times—even with good management of loads and charging cars at night and all those good things at the end—very, very quickly you will simply run out of capacity. You will have to go through a substantial building program. It will take a long time. I think one of our executives said to me or reminded me the other day that our wires cross Canada five times. If two thirds of those need to be changed, you can start doing the arithmetic. It is a massive job ahead of us. It is my job to do that job, but my point about it all is that it should not be missed in the conversation, that there is no free lunch on this solution, and that we, therefore, have to be very measured in the way and the speed in which we move here.

So what is the answer? I always get the, you know—everybody likes the mousetrap and stuff. The answer is all of the above. There will be no single mousetrap that will work. There will be no one solution that will dominate. It must be a series of every single piece that has to be brought forward in unison at the right time to make this thing work. It is going to be a little precarious, to say the least.

I know many of you here are from this industry. Let me tell you this, candidly. I know when you think about this industry, you put that picture in your mind because we love that picture, do we not? Oh, you have generators and there are little boxes, and you have big wires, and they are on towers. We love that stuff. You could not be more wrong. That is so old-world thinking. My encouragement to us all, and including me, is get that model out of your head because what you have got to start thinking about is a new way of delivering energy that is different than we have thought about before—that energy comes in at different points, goes out at different points, is stored at different points. Fuels will be used differently, and all of it will be controlled by the customer. I can go on my phone right now and turn lights on and off and air conditioners on and off—my choice—or I can have, in my case, Rogers, do it for me through an algorithm. I am controlling the grid at my house. I want us to stop thinking about this industry as a straight line and start thinking about it as a web, a virtual environment that we are going to have to adapt around to make all of these pieces fit.

Let me see if I can make sense of all of this policy, then. I will admit that I feel a little like I am taking these jigsaw puzzle pieces and, in some cases, hitting them a little harder than the puzzle maker intended, but I do think that there is a context here that is important. Let us think about what has been going on. We have helped the people that are most needed. Tick. Conservation is working and worth every penny. In fact, arguably, it is not what the report said that it costs $2 for every dollar of value; it is actually the other way around, if not more, so conservation is working. Yes, we are building out our grid, and there are new investments going on, but we see the attributes and the benefits associated with it, particularly, you can go outside right now and breathe. With respect to cap and trade, we are going to have to get used to the fact that we cannot swim in the no-peeing end of the pool. That is just the reality of what the problem is: It is a global problem; it is not a local problem. We have got to be very careful about fuel switching, because we could trip ourselves up in trying to get to something too quickly, but it is probably the right direction.

So that is my attempt at putting it all together, the pieces. I do not know if, honestly, there is a mastermind sitting, thinking these policies through, and it actually works that way. Nah, probably not, but, at the end of the day, I can actually understand that it can actually make some sense, and it is a vision. The question I am going to leave you with is *Are we wet? Are we up for the change, or are we going to resist it?*

I have been saying to so many of us in the industry, "Adapt or die." I, for one, want to accept that I am wet, and change will be okay, and so we will welcome it, but we have to be very careful as we move through these stages because there is going to be no free lunch, and there is going to be some struggles with it.

Thank you very much for your attention. Happy to take some questions.

Q: I saw your future load projections, and you talked about electrical cars. Have you also considered data centers because, with the big data and degrees in data transmission, that leads us into some big loads?

AH: Yes, I mean, obviously, in this new economy, there are all kinds of new applications. Data centers are absolutely one that we need to coordinate around, but it is not just data centers, for sure. Some new applications that are coming into society have huge volumes associated with it. Toronto is, obviously, an area where there is a lot of data centers, so, yes, we do long-term planning, sort of 20 years' stuff, to make sure we are ready for that, but it is part of what has been driving some of those green to yellow to red. Those systems are coming on now. Thanks.

Note of Appreciation by Todd Williams, Managing Director and Head, Navigant Energy Canada

Thank you, Anthony, for a very captivating and entertaining discussion through policy. I am glad you brought your notes today because there has been a lot of change, and, actually, both your remarks and Gordon's remarks reminded me, back to 1903—that is a bit before my time—of the ongoing sort of policy discussion and debate that we have in this province about electricity that is sort of near and dear to everyone's hearts. And, certainly, in a way, that has not changed.

Anthony also reminded me—and I think a lot of us—about how things change and how the market is driving a lot of things, CFL to LEDs, for example, the change in sort of debate, the discussion about what is a Tesla versus a Smart Car. All of those reinforce, in my mind, kind of how the market is driving change and also how the industry has to respond. The fact that we have discussion now about cap and trade, comparing that say with the discussion about coal— obviously, things are different. Obviously, that discussion has to go on for a number of years. Anthony, you mentioned what I would call, what we would call at Navigant, the 'energy cloud', the whole thing about everything being all connected. That is, in our view, the biggest change in the industry in over 100 years, and it is coming a lot faster than a lot of us think. I do not know if I am wet or dry, but

I am, certainly, ready for the change.

On behalf of the Empire Club and everyone here, I would like to thank you for joining us today to share your thoughts, pull together your notes and try to connect all this together for us. Thank you very much.

Concluding Remarks by Dr. Gordon McIvor

Thank you so much, Todd, and by the way, thank you to Siemens and Navigant for being our event sponsors and making today possible. I would also like to thank the *National Post,* which is our print sponsor and Rogers Television, our local broadcaster. I would also be remiss if I did not thank Mediaevents.ca, which is Canada's online event space, for live webcasting and podcasting today's event. I am sure all of you know, that is how most people now actually see Empire Club events. Thank you, to everyone for being here today. Please, follow us on Twitter at @Empire_Club. You can also follow us on Facebook, LinkedIn and Instagram.

We have got some great events coming up between now and the end of our season, which is at the end of the June. Tomorrow, for example, we have the Chief Justice of the Supreme Court of Canada, Beverley McLachlin, who will be joining us in this very room to talk about the importance of keeping Canada's judicial system independent of government. Wonder where that topic came from. That will be very interesting. If anyone wants to buy a ticket to that, by the way, there are still some tickets left, so make sure to order this afternoon. We also have Premier Brad Wall, one of the big major Conservative voices in the country right now, from Saskatchewan, who will be here on June 14th, also in this very room.

Thank you, ladies and gentlemen, for your attendance today. This meeting is now adjourned. Thank you.

The Empire Club Presents

THE RIGHT HONOURABLE BEVERLEY MCLACHLIN, P.C., CHIEF JUSTICE OF CANADA

on

CANADA'S LEGAL SYSTEM AT 150: FOSTERING CANADIAN DEMOCRACY THROUGH AN INDEPENDENT JUDICIARY

June 3, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to the continuation of the 112th season of the Empire Club of Canada and the kick-off event in our Sesquicentennial Series celebrating Canada's 150th birthday. For those of you just joining us either through our webcast or our international podcast, welcome, to our meeting today. Before our distinguished speaker is introduced, it gives me great pleasure to introduce our head table guests to you.

HEAD TABLE:

Distinguished Guest Speaker:

The Right Honourable Beverley McLachlin, P.C., Chief Justice of Canada

Guests:

Mr. Noble Chummar, Partner, Cassels Brock and Blackwell LLP; Past President, Empire Club of Canada

Dr. Eric Jackman, President, Invicta Investments; Past President, Empire Club of Canada

Mr. Michael Kaplan, Managing Partner, Dentons

Mr. Gord McGuire, Associate, Adair Barristers LLP; Director, Empire Club of Canada

Mr. Nick McHaffie, Partner, Stikeman Elliott LLP

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Stewart Sutcliffe, Chair, M&A/Private Equity Group, Toronto, Stikeman Elliott LLP

Mr. Michael White, President and CEO, IBK Capital Corp

Mr. William White, Chairman, IBK Capital Corp.; Director, Empire Club of Canada

Ms. Andrea Wood, SVP, Legal Services, TELUS; Past President, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club of Canada. Ladies and gentlemen, your head table.

I would like to acknowledge several of our Past Presidents who are in the audience today. We have actually never had—at least in my living memory—such a large gathering of Past Presidents in one room at the same time. There are nine of them with us today. If you would, Past Presidents, please, rise and be recognized: Tony Van

Straubenzee, Nona Macdonald Heaslip, Catherine Charlton, John Koopman, Verity Sylvester, Peter Hermant, and, of course as mentioned, Eric Jackman, Andrea Wood and Noble Chummar. Ladies and gentlemen, these are the people that are the reason we are here.

We are also very pleased and honoured to have a group of students joining us today from the Law Practice Program at Ryerson University. Students, welcome.

Thank you to IBK Capital for sponsoring these student tables today.

Introduction

In celebration of Canada's 150th birthday and our first event in our Sesquicentennial Series, I would now, actually, like to ask our guest of honour to join me on stage with our sponsor of the Sesquicentennial Series, IBK Capital, represented by Bill White. And we will blow out the ceremonial candles on the ceremonial cake. I think we have one candle, no, two candles each. Are you ready? One, two, three!

Well done. Thank you very much. It is not out of the ordinary that one of Canada's oldest speaking clubs should get the leaders of our great national institutions. Very many people were surprised when Chief Justice Bora Laskin came to the Empire Club on March 12th, 1981, and was introduced as the first Chief Justice to ever stand at this podium. After all, every Prime Minister since Sir Robert

Borden had spoken at the Club, so why did it take so long for the Supreme Court to want to speak to the Empire Club, to the Canadian public? The answer may reside, of course, in the legendary discretion of those who have held the position, but Mr. Laskin was not going to abide by that thinking, and he had an important message that he wanted to get out to all Canadians, namely, that the Supreme Court, the highest court in the land and the final Court of Appeals in the Canadian justice system, where decisions are the ultimate expression and application of Canadian law, was basically unknown and completely misunderstood by the population that it represented. To make things even more serious, and what really pushed Chief Justice Laskin to want to address the Club was that he was seeing a lack of understanding on what the role of the court was extend right into Parliament itself. In that 1981 address entitled "What Everyone Should Know about the Supreme Court of Canada," he tackled the issue head on, and I am just going to quote briefly from that speech:

> What was dismaying to me as I watched and read about the constitutional proceedings that took place last year was the total misconception that so many ministers and first ministers had about the Supreme Court. They treated it in political terms and, fallaciously, regarded it as a federal institution on par with the Canadian Senate. Let me say, as

> forcibly as I can, that the Supreme Court is *not* a federal institution; it is a national institution, and its members are under no federal allegiance merely because they are federally appointed. Just as there is no federal allegiance, there is no regional allegiance and no political allegiance.

Now, our guest today has also faced those suffering from amnesia or perhaps authentic ignorance on the role of the Supreme Court as it relates to Parliament. She earned the deep respect of all Canadians by standing tough and reminding everyone of that fundamental truth that Chief Justice Laskin stated at this podium in 1981, that the Supreme Court is not a federal, but a national institution and that, while the checks and balances regulating it can be debated, what must stand at the centre of its integrity and efficacy is that the Government of Canada does not control its decisions nor directive on how to rule on the complex issues that come before it, many that are, in fact, at the centre of how we, as Canadians, live our lives.

We looked at one such issue only a few weeks ago here at this very podium when we looked at assisted dying and the various components of that very complex question.

This is the third time that Chief Justice Beverley McLachlin, the first woman to occupy her role, has visited our Club. Her first address was in 2001 and dealt with "Good Justice, a Global Commodity." She returned in 2007 and spoke about "Justice in the Courts and the Challenges We Face," a speech that contained a reference to our incumbent Prime Minister's father and his call to build a just society, and I quote from that speech, Madam Justice:

> Pierre Elliott Trudeau challenged Canadians to build what he called the just society. In the ensuing years, thousands of Canadians have worked to establish their visions of a just society. The centrepiece of Prime Minister Trudeau's vision of the just society was, as we know, the Charter of Rights and Freedoms, which was adopted in 1982 and whose 25th anniversary we will soon be celebrating. But whatever our political persuasion or our particular conception of justice is, there can be no doubt that Canadians today expect a just society. They expect just laws and practice and they expect justice in their courts.

It was a seminal moment at the Empire Club and is the reason that we wanted to invite the Chief Justice back this year to kick off the Empire Club of Canada celebrations around Canada's 150th birthday.

As we all get ready for the many special events that will occur in 2017, we cannot forget that what makes Canada truly great as a model of democracy around the world is this just society that Trudeau, Sr. called on us to build, a project that seems, in fact, to be taken up wholeheartedly by his son.

What is at the centre of a just society? Could it be that the laws that protect us and give us our rights are, in fact, at that epicenter? Could it be that, in fact, that is what makes us such a vibrant and great democracy? Chief Justice Beverley McLachlin will certainly be listened to today as she examines Canada's legal system at 150, fostering Canadian democracy through an independent judiciary. As we saw recently, this independence must still be fought for from time to time, and it is a fight worth winning as it is a fundamental building block of the great democracy that we built north of the 49th parallel.

Ladies and gentlemen, it is a great, great honour today to welcome back to our podium, the Chief Justice of the Supreme Court of Canada, Beverley McLachlin.

The Right Honourable Beverley McLachlan

Thank you, Gordon, for that wonderful introduction and reminding me about Chief Justice Laskin's first speech here and an important message he delivered. Truly, I feel that I am following in some very giant footsteps, even though I have been here three times myself. It is a great pleasure to be here, and merci beaucoup pour l'invitation.

Next year, as we all know, 2017, Canada will be 150 years old, and we just blew out the candles on the cake. It will be a time for celebration because we have truly built—we and those who came before—a great nation. But, it is also a time to reflect on where we are as a people and where we are going. How does our nation emerge from its first century and a half? How robust are the institutions that sustain it? What can we do, each of us, to strengthen and sustain them for the decades that lie ahead?

Canada's democracy stands on three institutional pillars: Parliament, the legislative branch; the executive; and the judiciary. For the past 35 years, my passion and preoccupation has been with the third branch of Canadian governance, the judiciary. Today, as we stand on the cusp of our nation's 150th birthday, allow me to share with you my thoughts on the Canadian judiciary, past, present and future.

The past. It is important to understand the past, for if we do not, we cannot understand the present, much less the future. I would like to begin with a brief history of Canada's legal system, a history which I will divide into three chapters: Post-colonial; transition; and the modern era, which was ushered in by the *Constitution Act, 1982* and the adoption of the Charter.

First, the post-colonial period. We all know that in 1867, the British Parliament passed the *British North America Act,* the *BNA Act* and Canada was born. The new country was different from England. It was grounded in a written constitution, and it was a federation, with features alien to the mother country. But, in other respects, it mirrored the British model. Canada, like Britain, would rest on three pillars of governance: The legislative branch, comprised federally of the Senate and the House of Commons, and provincially in the legislatures; the executive branch, comprised of federal and provincial Ministers of the Crown; and the judicial branch, comprised of judges appointed federally pursuant to Section 96 of the *BNA Act*.

Like British judges, the judges of the new country of Canada would be independent. Judicial independence in England had been won only through a long constitutional struggle. On the one side stood the monarchs, who viewed themselves as the fount of law, and, of course, not unreasonably, if you are the fount of law, sought to control the judges. On the other side, stood jurists like Lord Coke, who maintained that the task of judges was to apply the law as they found it, not to do the King's bidding. These jurists took the view that to do justice between the parties in the cases that came before them, judges must be impartial, both in fact and in perception. And to be impartial, actual and perceived, they must have guarantees of independence, notably, fixed terms of appointment, fixed salary and security of tenure. The rule of law required no less, they believed. And the new nation of Canada inherited this belief and this system. Our first documents enshrined, by implication, the principle of judicial independence.

For 80 years after Confederation, Canada's legal system functioned as a pale shadow of England's legal system. England's laws were more or less Canada's laws. To be sure, our Parliament passed its own laws and so did our legislatures in this post-colonial period. They were often, to be sure, uniquely Canadian, relating to our country's realities and federal status. But, the common law of England, private and public, was the common law of Canada, and Canada's judges applied English law. They looked at English precedents. They cited them continually. And just to be sure, there was no slippage, Canada's final court of appeal was the Judicial Committee of the Privy Council, sitting in Westminster on the banks of the Thames. The Supreme Court of Canada which, befitting its secondary status at the time, was not created until 1875, was just a stop, in most cases, on the way to London, when it was not bypassed altogether. Only in 1949, with the abolition of appeals to the Judicial Council, did the Supreme Court of Canada become Canada's final court of appeal, and our post-colonial period, as I like to term it, ended.

This brings us to the second period of the judiciary, which I call—I would like to find a better word, but I have not; perhaps, one of you can help—the transitional period. The post-colonial legal epoch that ended in 1949 was followed by this transitional epoch, in which Canada incrementally moved from an Anglo-centric legal system, to a system that was uniquely Canadian. Slowly, dependence on British sources weakened, and you can see this in the scholarly work of certain academics. And Canadian judges like Chief Justice Laskin and Chief Justice Dickson began to articulate Canadian perspectives on the principles and the statutes.

The transitional period culminated in 1982 with the *Constitution Act*, which repatriated the Canadian Constitution and introduced a constitutional bill of rights, the *Canadian Charter of Rights and Freedoms.* Henceforward, laws passed by our legislatures and actions of our executives would not only be required to conform to the division of powers in the 1867 *BNA Act*, they would also be required to conform to the Charter and other new guarantees, including the entrenchment of Aboriginal and treaty rights in Section 35 of the *Constitution Act* of 1982. Henceforward, it would fall to the courts to judge whether laws and executive actions conform to the strictures of the Constitution, and the addition of the Charter would have the effect of enhancing the role and importance of the judicial branch of governance. When citizens challenged the law, the constitutionality of the laws, the courts would have no choice but to decide those challenges. And when the challenges succeeded, as some of course inevitably would, Section 52 of the *Constitution Act* said that the law would be null and void to the extent of the inconsistency with the Constitution. The court, in the jargon of the day, would be seen to "strike down the law."

The transitional period that culminated in the adoption of the *Constitution Act, 1982,* in sum, I think saw three major changes in the Canadian legal system. I have already mentioned two: The Supreme Court's move toward a unique Canadian jurisprudence and the enhanced role of the judiciary that came with the adoption of the Charter and other constitutional guarantees. The third development was political. In the lead-up to 1982—and this has been referred to already—the government of the day took as its goal the creation of a "just society." In an interview with the *New Yorker*, Prime Minister Pierre Elliott Trudeau described the goal in these words. He said this: "I've always dreamt of a society where each person should be able to fulfill himself to the extent of his capabilities as a human being, a society where inhibitions to equality would be eradicated. This means providing individual freedoms and equality of opportunity, health, and education, and I conceive of politics as a series of decisions to create this society."

We come to what I call the modern era, the era we are still in. The third chapter in Canada's legal history begins with the adoption of the Charter in 1982 and carries us forward to the present. It has been a turbulent period, replete with change and marked by tension, for the most part, healthy tension, I would maintain, between the judicial branch of governance and the legislative and executive branches. Some people raise charges of judicial activism. Others, by contrast, describe a process of dialogue between the courts and the other branches of government, in which laws found to be inconsistent with the Constitution by the courts are re-enacted in constitutional form by Parliament or the legislatures.

The *Constitution Act, 1982* confronted courts and the judges who sat on them with unprecedented challenges. I first became a trial judge in 1981, and I can tell you, personally, how challenged I and the judges around me felt at this new document. The traditional judicial tasks, adjudicating on the division of powers, interpreting statutes and applying and incrementally developing the law, were supplemented by an altogether new task: Putting flesh on the bones of a suite of new and broadly worded constitutional guarantees and devising constitutional remedies that made practical sense in the real world. It was hard work—intellectually and morally demanding. But, beyond that, it was delicate work. It required judges to balance interests and calibrate outcomes in a way that was both respectful of the role of elected legislators and administrators on one hand, and true to the country's constitutional guarantees on the other.

The Governor General, David Johnston, recently used the adjective "measured" in describing what is required of judges called upon to interpret the guarantees of the Charter and of Aboriginal and treaty rights that the *Constitution Act, 1982* introduced. I can think of no better term. It is not for me to judge how well or poorly Canada's judges have succeeded in this task. This much I can say: Canada's jurisprudence on these matters and others is increasingly referred to in other courts and increasingly influential in the world.

Have we achieved the goal of a just society announced almost four decades ago? The answer depends on how one defines the just society. Are things perfect? Certainly not. Could there be less crime, less discrimination, less injustice? Certainly, yes. Yet, judged in terms of the former prime minister's criteria, an argument can be made that Canadian society is today a more just society than it once was—more egalitarian, more respectful of rights, more open to opportunity for all. If Canada is the second best country in the world, as a recent study concludes, its justice system and the rule of law has played a role in achieving that result.

This, in brief, is my story of Canada's judicial branch in its first century and a half. Against this background, let me turn to discuss some issues that I think will be preoccupying us in the future. I call them "Files for the Future."

Every observer of the justice system, no doubt, has his or her personal roster of the issues that will confront the system in decades to come. Here, for what they are worth, are my top—and I hasten to say incomplete—five.

The first one I call "Maintaining the Balance." The most fundamental challenge for the judiciary in the years to come, one without which I believe all other efforts will fail, is to maintain the proper constitutional balance between the judiciary on the one hand and the legislative and executive branches of government on the other. This is a task in which all branches of governance must engage. Each branch must understand its role and respect the roles of the other. Just as

Parliament and Ministers of the Crown must respect the role of the courts and their independence, so must the judiciary respect the role of the legislative and executive branches. The constitutional framework of the country and the maintenance of rule of law demand no less.

The role of Parliament and the provincial legislatures is to make the law. They are preeminently suited to do this. Comprised of elected representatives of the people, they are close to the people and accountable to them at the ballot box. This said, Parliament's power to make laws is not boundless. In a constitutional democracy like Canada's, the laws must conform to the Constitution. While courts cannot shrink from the task of maintaining the guarantees of the Constitution, they must approach the laws adopted by Parliament and the legislatures with due deference for their preeminent law-making role and their ability to arrive at optimal solutions through debate and research. Such deference is particularly important on complex social and economic issues, and our court has repeatedly said so.

The role of the executive is to apply and enforce the law. The modern executive branch is a complex institution, extending far beyond Ministers of the Crown to a host of agencies and administrative bodies. Like the legislative branch, the executive branch must operate within the confines of the Constitution, as we have said in some of our decisions, reflect in their decisions the values of the Constitution. And, as with laws passed by legislative bodies, the courts may be called upon to judge whether a particular action or decision does just that. And as with such laws, the courts show appropriate deference for expertise and mandate of administrative actors and agencies.

The role of the courts, the third branch of governance, is to adjudicate disputes that arise with respect to the law, including the country's highest law, the Constitution. In doing so, the courts must respect the role of the legislatures and the executive, and accord due deference where that is appropriate. But, at the same time, they must never shirk their role as the ultimate guardians of the Constitution and the rule of law.

Maintaining the proper balance between the legislative, executive and judicial branches of governance requires constant vigilance. Tensions are inevitable, and the temptation to stymie and suppress those perceived to stand in the way is ever present. We need not look far to find current examples of countries where once independent courts have been weakened or brought to heel by the executive or legislative branches of governance. The inevitable result is to erode public confidence in the impartiality of the courts. When this happens, disrespect for the law and for the rule of law cannot be far behind.

My second file, as I call it: "Judicial Appointments of Merit and Diversity." In Canada, governments, read the executive branch, appoint judges. We all know that. The federal government appoints the trial and appellate judges of the Section 96 courts, as well as judges of the federal courts and the Supreme Court of Canada. The provincial governments appoint judges of the provincial courts, the successors to the former magistrates' courts.

Because judges must be independent and seen to be independent, they enjoy security of tenure. If the government could sack a judge, the public would rightly fear that the judge might trim her sail to fit the government's jib. The difficulty of removing judges for any reason short of serious misconduct or incapacity makes it vital that we appoint judges of high merit and ethical standing. Once appointed, a judge may sit for many years and affect untold lives in incalculable ways. It follows that we must ensure that every judge appointed is competent and possessed of good character and judgment. We must also assure that we appoint judges who can work in both official languages where this is required for the full and effective discharge of their duties. These requirements are sometimes cumulatively referred to as "merit."

In addition to these basic qualities that every individual judge and court must possess, appointments to the bench should reflect the diversity of the society they are called upon to judge. This is important to ensure that different perspectives are brought to the task of judging and to maintain the confidence of all Canadians in the justice system. Canada, with 36% women on the federal bench, is viewed as a leader in the appointment of women, although some ask why the number is not even higher. We fare less well when it comes to judges from minority and Indigenous populations. Finding good candidates has been a challenge in the past due to under-representation of these groups in law schools and legal practice. But, that is changing. We can and should do better in the years to come.

Finally, Canada's courts must be able to offer their services to the public in both official languages where this is necessary and appropriate.

Canada's current government has announced its intention to review processes of judicial appointment. This is a critical venture, at a crucial juncture in our history. The result will impact the judicial system and the country for generations to come.

My third file is the "Right Governance Model," and you may not have thought much about this, but it is important. I refer to how courts govern themselves. Courts have to be independent. Yet, they also have to have courthouses, staff, and resources to perform the tasks essential to providing effective justice to the women, men and children of this society. The question is how to ensure judicial independence free from actual or perceived government influence in the face of the need of the courts to look to government for resources and support.

Canadian courts have traditionally been operated on what is called the "executive model" of court administration. Provincial governments, which are responsible for court administration under the *BNA Act*, essentially, run the courts. Similarly, much of the responsibility for the administration of the Supreme Court and the federal courts falls to the federal executive. Administrative questions, from budgets to human resources, from infrastructure to the number of court clerks and sheriffs, as well as support services for judges, are ultimately in the hands of the government, the same government that is party to many of the cases that come before the courts. This is potentially problematic.

Some provincial governments, in consultation with the judiciary, have developed informal agreements designed to set out mutual expectations and responsibilities. Governments may delegate aspects of court administration to chief justices or consult to promote effective court operations. Such protocols may alleviate the conflicts inherent in the executive model of court governance. However, with governments under fiscal pressure, problems are surfacing more frequently in recent decades. Judges and courtrooms may find themselves underequipped and understaffed. Technology necessary to make justice more accessible, and incidentally reduce cost and delays in the long run, may be denied. Court fees may be pushed to levels inconsistent with ready access to the courts. In recent years, trials sometimes in some parts of the country have been unable to proceed because there were not enough court personnel in the courtroom—sheriffs, clerks.

In its 2006 report entitled "Alternative Models of Court Administration," the Canadian Judicial Council, which I chair, the body responsible under the *Judges Act* for promoting efficiency and uniformity in the justice system across the country, noted widely held concerns about the shortcomings of the executive model of court administration, concerns shared in some cases by government officers. It concluded that the inability of courts to develop or administer budgets and direct court administration was having a negative impact on judicial services and was creating a situation where, in appearance if not reality, court funding and operations are at the mercy of the executive, the government, as the public sees it. When you consider that half or more of the cases before the court involve the government in some form as a party, you can see how this is potentially problematic in terms of how the public perceives the situation. In a world where the Crown and the government are a party, in many cases, it cannot be a good situation.

The common law world has witnessed a shift in recent years toward greater autonomy in court administration. Countries are moving or have moved to a judicial or judicial-executive partnership model. Recent reforms in England and Wales have increased judicial independence in the funding and management of courts through a partnership model of court administration. And since 2010, the Scottish Court Service has operated as a fully independent judge-led service without any power of a ministerial direction, a system inspired by the judge-led system in the Republic of Ireland. Similarly, the United States Supreme Court has long enjoyed administrative independence from government, with direct congressional oversight of the court's budgetary needs.

Scholar Graeme G. Mitchell predicts that in the 21st century, the administrative independence of the courts will be "the new frontier in matters of judicial independence." We need, I believe, to look at ways to ensure the proper funding and staffing of our courts, ways to help them move into this technological 21st century in which we live, while preserving judicial independence and ensuring public accountability for moneys spent.

My fourth file is access to justice, and you will not be surprised at that. I have spoken on it before. The courts belong to the Canadian people, and the Canadian people should be able to access them. It is as simple as that. The most advanced justice system in the world is a failure if it does not provide accessible justice to the people it is intended to serve.

We may think we are doing well in providing our citizens with access to justice. After all, we say we are one of the better countries in the world to live in. But, the 2015 Rule of Law Index of the World Justice Project ranks us only 18th on the front of access to justice, much higher on certain other fronts. As the National Action Committee on Access to Justice in Civil and Family Matters, headed by my colleague, Justice Cromwell, has made clear, challenges abound. People avoid seeking legal advice, fearing the cost. Court proceedings are too expensive and often take too long. We may have a Cadillac justice for the elite and the people or the corporations who can afford it, but, too often, ordinary Canadians find themselves shut out of court or forced to go it alone without a lawyer. Courtrooms are filled with unrepresented litigants trying to navigate the system as best they can, increasing strains on the process and triggering yet further delays. Legal aid in many parts of the country is woefully inadequate.

Some, surveying the magnitude of the problems related to access to justice, use the word "crisis." I remain cautiously optimistic. Canadians are taking up the challenge of making access to justice a reality. The National Action Committee has brought governments, lawyers, judges and members of the public together to study strategies for access in civil and family matters. Other groups are engaged in improving access in other areas of the law. Across the country, attorneys general, the legal profession and legal academics are putting their collective shoulder to the wheel to make court processes—and this is important—more flexible and efficient. We have learned that one size all systems do not work and that ingenuity, aided by technology, goes a long way. Above all, we have learned that although the problem is polycentric and complex, with effort and intelligence, we can make a dent in it.

I believe we must meet the challenge of providing access to justice to ordinary Canadians, if we are to maintain public confidence in the justice system. If people are excluded from the system, if they conclude it exists only to serve the interests of the government or the elites, they will turn away. Respect for the rule of law will diminish. Our society will be the poorer.

Number five, "Reconciliation." This is neither the time nor the place to canvass the legal issues that will occupy the judicial system in the decades to come, yet I would be remiss if I did not mention the overarching project of reconciliation between Canada's Indigenous peoples and other Canadians upon which our society as a whole is currently engaged. If we are not successful in this project, Canada will fall short of its potential, not only in matters of justice, but also on the economic and cultural fronts.

Over the past three decades, the courts have been involved in resolving legal issues central to the project of reconciliation. The work is not complete. How the three branches of government—legislative, executive and judicial—meet the task of finding reconciliation with the descendants of our First Nations will shape the country in the decades to come. My hope is that we meet this challenge with courage and determination, in the spirit of respect and magnanimity demanded by the honour which binds the Crown in all its relations with Canada's Indigenous peoples.

Let me conclude: In his book, *The Idea of Justice*, Nobel Prize–winning economist, Amartya Sen, argues that a just society, which he also says is an economic successfully society, requires three things: First, it must possess just laws. Second, it must possess strong institutions. Third, it must achieve actual justice in the lives of its citizens.

By these measures, Canada is fortunate. We possess, for the most part, just laws, created by legislative bodies committed to Canadian values. We have strong institutions, not least a judicial branch that is independent, strong and respected in Canada and abroad. Finally, through our laws, our tribunals and our courts, we pursue justice in the lives of our citizens on-the-ground, actual justice. To be sure, we sometimes fail; we sometimes fall short, but when we do, we strive to correct the situation.

Just laws, strong institutions and actual on-the-ground justice in the lives of men, women and children. These are precious assets upon which our nation's future well-being depends. It is up to us to ensure that we maintain them as Canada marks its 150th anniversary. Thank you. Merci beaucoup.

Note of Appreciation from Nick McHaffie, Partner, Stikeman Elliott LLP

Thank you very much, Chief Justice, for your thought-provoking and insightful remarks that are an important reminder of the importance of the rule of law in creating, maintaining and improving a just society.

I start by noting that it is wonderful to be able to speak to you, knowing that I will not be receiving questions that point out the flaws in my submissions, but I do want to make reference to something that Justice Ruth Bader Ginsburg, of the United States Supreme Court, remarked in Vancouver when she was there in 2007, saying this: "Essential to the rule of law in any land is an independent judiciary, judges not under the thumb of other branches of government and therefore equipped to administer the law impartially [….] As experience in the United States and elsewhere confirms, however, judicial independence is vulnerable to assault. It can be shattered if the society law exists to serve does not take care to assure its preservation."

It has been wonderful and informative today to hear the perspective of someone who has been an important and leading voice in assuring its preservation for over 25 years—35 years in total and 25 years at the Supreme Court of Canada—at least since in *Mackeigan v. Hickman* in 1989, which I believe was within three weeks of your appointment to the Supreme Court of Canada, one of the very first cases you sat on and one of the first that you wrote on, in which you preserved and strengthened judicial independence by ensuring that judicial officers were not subject to interrogation in a public inquiry for their decisions, their reasons for decision and that they maintain that independence. But, even at that time, as we heard today, 25 years later, you stress not only the importance of an independent judiciary, but the question of balance between that principle and the principle of parliamentary supremacy.

In order to protect the rights that are set out in the Charter to preserve the just society that is set up through our Constitution, having a judiciary that is respected, that is independent of government, is essential. Through the decisions such as *Mackeigan* through to a New Brunswick judge's reference in *Charkaoui*, you stress the importance of both the reality and the perception of an independent judiciary as a cornerstone of Canadian legal structures.

On behalf of Stikeman Elliott, IBK Capital, the Empire Club, everyone here listening in this room and elsewhere where they are listening, thank you for your remarks today, which serve as a valuable continuation of that discussion. Thank you.

Concluding Remarks by Dr. Gordon McIvor

Thanks very much, Nick. Thank you, a personal thank you, to you, Madam Justice, for accepting our invitation to open this series. Over the next year, we will be looking at some of the great institutions to Canada and what makes us great, and we thought you would just be an ideal way to kick off the series. Thank you so much for being here.

Thank you to our generous sponsors as well, IBK Capital Corp. for being our Sesquicentennial Series sponsor as well as our student table sponsor; Stikeman Elliott LLP for being our event sponsor; and, of course, Dentons for being our VIP sponsor today.

I would also like to thank the *National Post,* as our print media sponsor and Rogers Television, our local broadcaster. We would also like to thank Mediaevents.ca, Canada's online event space, for live webcasting and podcasting today's event. As most of you will know, that is how most people in the world now actually view Empire Club events. Follow us on Twitter at @Empire_Club. You can also follow us on Facebook, LinkedIn and Instagram.

Please, join us again in the next couple of weeks. In fact, we just booked Premier Brad Wall, the premier of Saskatchewan who will be at this very podium in this very room on June the 14th—actually our third premier this season.

Ladies and gentlemen, thank you, for your attendance today. This meeting is now adjourned.

The Empire Club Presents

THE HONOURABLE BRAD WALL PREMIER OF SASKATCHEWAN:

June 14, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to this, the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us, either through our webcast, our podcast, or on Rogers TV, welcome, to our meeting today.

Now, before our distinguished speaker is introduced, it gives me great pleasure to introduce you all to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Brad Wall, Premier of Saskatchewan

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Sylvia Jones, the Deputy Leader of the PC Caucus, the Critic for Children/Youth Services, and the MPP for Dufferin-Caledon

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Mike Richmond, Co-Chair, Energy Law at McMillan LLP; Member of the

National Energy Board
Mr. Mark Romoff, President and CEO, The Canadian Council for Public-Private Partnerships; Director, Empire Club of Canada
Mr. Ken Seitz, President and CEO, Canpotex
Mr. Hans Soer, District Adviser for Manitoba Pork
Ms. Andrea Wood, SVP, Legal Services, TELUS; Past President, Empire Club of Canada; Past President, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club of Canada. Ladies and gentlemen, your head table.

I would also be remiss if I did not recognize two very distinguished guests in the audience: Our former Minster of National Defense, Peter MacKay, who is now with Bennett Jones, and the former clerk of the Privy Council of Canada, Wayne Wouters, with McCarthy Tétrault. Mr. Waters, welcome.

We also have a group of students joining us today from Centennial College so students, would you, please, rise and be recognized. Welcome.

Introduction

The name 'Saskatchewan' given to the province named after the Saskatchewan River, comes from the Cree language and means 'swift, flowing river'. It has always been a province that produces surprises for the rest of the nation. Just look at Gordie Howe who we are remembering so fondly this past couple of days. It split off from the Northwest Territories and joined the Canadian Confederation in 1905 and quickly became known as a stronghold for Canadian democratic socialism.

Ten years before I was born, in what was then its largest city, Regina, it elected North America's first social democratic government.

When CBC was trying to determine who the greatest Canadian in our history was a couple of years ago it eventually settled on Tommy Douglas, one of the province's most famous and beloved sons who is often credited with bringing us universal healthcare.

Now, while some still view it as a largely agricultural province, this activity combined with forestry, fishing, and hunting actually only makes up about 7% of this highly diversified province's GDP. Only Alberta exceeds Saskatchewan in overall oil production, and its mining sector, known around the world for potash and uranium, is as dynamic as it is sophisticated.

Now, it may only have 14 of the 338 seats in the House of Commons but every politician in the country knows that you ignore Saskatchewan at your own risk. It has become a sophisticated global economy, and Canadians living under its beautiful, big skies have a quality of life that is the envy of many across the country.

To get to where it is today, Saskatchewan went through many ups and downs.

In fact, a few really hard times and a lot of very different leaders. Some of these leaders had to deal with what was perhaps one of the region's biggest challenges, a challenge that we all face as Canadians but is particularly true in Saskatchewan and, of course, I am referring to the weather. This only Canadian province with manmade borders has the record for the highest ever recorded temperature in this country: 45 degrees Celsius, recorded in July of 1937. But Saskatchewan can see wet winter temperatures dip as low as -45 degrees Celsius. This is a continental climate of extremes and often significantly impacts the life of its residents.

When the province's fourth premier, James Garfield Gardner, stepped before the Empire Club podium for his second address to our Club back in March of 1935, he, in fact, based his entire speech on the weather. It was a speech called "Conditions in the West," and it was basically a speech about how devastating the recent drought had been on the agricultural economy, a problem so severe that many were calling for the resettlement of thousands of people who had just recently moved out to the new province.
Here is a brief quote from Gardner's speech:

> We have a new worry on our minds. Some of us are asking a question at the present time as to whether or not people should remain in that section of the country that some seven or eight years ago was considered to be flowing with the wealth

> that was only suited to a chosen people. Today we are wondering whether we should move people out of the area, whether we should go back to the conditions which existed there before our population was brought in and if, in any remarks I make today, I can inspire confidence in the minds of men who have made investments in that part of the country as to the future, I will consider my time with you here in Toronto to be very well spent.

Today those problems are still periodically very real, of course, but no longer life threatening.

Saskatchewan, under its incumbent leader in fact has received a triple A credit rating from Standard & Poor's for the first time—the highest level possible for a provincial government—and recently had a eight year population growth that was more than the previous 75 years combined, which has brought Saskatchewan's population to up well over 1.1 million inhabitants.

In today's world, Saskatchewan's leader is not a democratic socialist—although, he believes deeply in improving the quality of life of his electorate—but rather one of the leading conservative voices in contemporary Canada. Hailing from Swift Current, the community that he has represented for the past 17 years, he has emerged as a forceful and articulate defender of both his province and country's trade interests, particularly, in the area of energy and agriculture, the two-pronged pillar that set the very base of Saskatchewan's past and present economies. He obviously has his priorities right, as he is being consistently rated as Canada's most popular premier in public opinion polls.

Today, he will address the Empire Club of Canada for the second time and focus on the Energy East Pipeline project, that 4600 km pipeline that will carry 1.1 million barrels of crude oil per day from Alberta and Saskatchewan to refineries in Eastern Canada.

Now, Premier Wall knows that this project is not without its detractors, but he is also deeply convinced that it is a fundamentally important energy investment that will help secure the future economic well being, not only of his home province, but of the entire country. This is an important speech for Canadians regardless of their political affiliations and beliefs and as we continue to think about how to best construct our collective energy future. And once again, Saskatchewan will position itself as a purveyor of issues of national importance where big skies and big ideas are always overcome adversity and help to define our Canadian spirit.

Ladies and gentlemen, it is a great honour and pleasure to introduce back to the Empire Club, for the second time, Premier of Saskatchewan, the Honourable Brad Wall.

Honourable Brad Wall, Premier of Saskatchewan

Thanks, everybody. Grateful for the invitation to be here today, and thanks for that, it was a wonderful introduction. There is nothing like an Empire Club introduction. Much appreciated.

Minus 45 degrees in Saskatchewan, and you say, "Yeah, but it's a dry cold." I have been there all my life, and I still do not know what that means.

It is good to be with you here today. Peter, it is very good to see you, sir. I know that you are thinking about a number of things, and I will not get into what those things might be, but it is just good to reconnect.

Folks in this room should know though that notwithstanding his athletic prowess in addition to his political and business career, Peter MacKay hosts regularly and annually, together with the Grey Cup, a touch football game, and I have had the pleasure in participating in that game on one occasion. It was the Grey Cup in Edmonton where the Eskimos cheated their way past the Saskatchewan Roughriders, and we played a little game. It was sort of Saskatchewan people against Peter and all of his friends, who were from all over the country, and I am not going to give it away, but he lost. Badly.

The first extra provincial trip that I took actually after we were first elected in 2007 was to this great city. We came to the Grey Cup. The Riders were in that one as well against the Winnipeg Blue Bombers who were then in the Eastern division of the CFL, and, for whatever reason, there was no Grey Cup parade planned, that tradition of Grey Cups in Toronto. And so Rider Nation took it upon themselves—Wayne, you will appreciate this—to organize their own Grey Cup parade, and we went through the streets of Toronto without a permit or without escort. We kind of got a little cold, so we just sort of veered over into the Eaton Centre where we were asked to leave, actually, quite politely. The security people came over, and we said, "Oh, Grey cup. CFL," and they said, "We don't care what union you're with, stop the protest."

So I have some good news about a pipeline that has been approved, a multi-billion dollar pipeline that has been approved in Uganda. According to media reports, the pipelines will run from western Uganda through Tanzania to the port of Tango on the Indian Ocean. Tanzania actively sought to have the pipeline built on its own territory, as did Kenya. All three of these East African countries see oil as a blessing. They saw the pipeline as an opportunity. The President of Uganda said this in a state of the nation speech just two weeks ago, "The 6.5 billion barrels of proven oil reserves, now that we have resolved the issue of the refinery and the pipeline, will now help us more easily fund the roads and the railway and electricity and irrigation and some aspects of education and health as well as the innovation of our long suppressed scientists." Seems like a little bit of a non sequitur at the end, but you get the picture.

Meanwhile, back in Canada, where there are 170 billion barrels of oil, of proven reserves, we have yet to approve a major pipeline in the last decade or so, maybe beyond that. We are into this entangled and protracted, interminable process that has caused a lot of debate around the country, caused some concern in my part of the country.

I would like to focus on one of those pipelines proposed, but I will be trying to talk in a more general nature about the energy sector as well. But the pipeline I want to focus on is the Energy East Pipeline.

There are really four questions that I am going to try to answer, try my best to answer today. The first is, "Do we need it? Do we need Energy East Pipeline?" The second is, "Is it safe?" The third: "Who will benefit from the pipeline?" And, finally, "Will this pipeline pose any problem or challenge with respect to the ongoing battle that we face against climate change?"

So first and foremost, "Do we need Energy East?" Well, from a business standpoint, the proponents have answered that question, and their customers have answered that question. In a general market sense, there clearly has been a need for and demand for pipelines over the last little while. Consider, if you will, that from 2010 to 2014 the US crude oil pipeline network increased more than 12,000 miles or 22%. That is according to the Association of Oil Pipelines south of the border. That is roughly the equivalent, by the way, of 12 Keystone Pipelines. I will leave you to ponder the consistency of approvals for those pipelines in the context of Keystone itself, but, clearly, there is a need for pipelines; there is a need for conveyance, and even in this low price environment we know that is going to continue.

It is true: We also need pipelines and Energy East in part to help reduce our dependency on foreign oil because, in your Canada, which is home to the third greatest reserves of oil on the planet, we need to import oil from other countries. Energy East is not all about that. In part, Energy East is getting our product to tidewater and exporting it, but Irving Oil, has said that, at a minimum, they will replace 50,000 barrels a day of imported oil with oil from the pipeline, so we need it to help at least give ourselves the footing and the chance to reduce the dependency that we have on foreign oil.

We need the pipeline to get a better return for the people that own this resource in the first place and that is not the oil companies; it is not the provincial government; but it is the people of Canada that own the resource. And for years they have been selling it at a discount because we have one customer. For all this great reserve, we have one customer, and it is the United States, and so we get, at best, West Texas—usually something less than West Texas. Meanwhile, the world is paying the Brent price, and now that differential has closed, but, at any given time, it has cost our treasury alone $200 million and, in the industry, billions of dollars because by and large there is a premium in terms of Brent versus West Texas. So we need the pipeline to help close that gap. We need that particular pipeline and all pipelines because, while they are imperfect in terms of being a mode of conveyance, they are the safest.

This we can say unequivocally. It is the safest way to move hydrocarbons. Last year, the Fraser Institute examined the federal government data from 2003–2013, and they discovered that when you move oil by rail, you are 4.5 times more likely to have a spill, 4.5 times more likely to have a spill based on moving oil on rail. Consider that fact in this context: In terms of our exports to the United States, they rose 42,000 barrels in 2010 to 42 million barrels in 2014 in terms of the amount of oil that was exported on rail.
A 100,000% increase in terms of our oil exports to the US moving on oil versus a pipeline—remember the facts about the likelihood of a spill with respect to railing oil versus a pipeline. In the United States, rail car shipments of oil soared from 9,500 in 2008 to 493,000—these are rail cars—in 2014, and so therefore the risk of a spill has grown exponentially. Energy East has the potential to remove the equivalent of more than 1,500 oil cars from our rail system. This one pipeline alone will most assuredly move oil off of rail and into a pipeline.

The importance of these facts of course is underscored by our own history, by the tragedy, the horrific tragedy at Lac-Mégantic. How about the question of safety? Today, there are 117,000 km of pipeline moving oil and gas across the country right underneath Naomi Klein's nose—

117,000 km developed over the last 60 years. And according to the NEB, these pipelines spilled an average of 11—here are the honest facts: These pipelines did spill some oil; they spilled on average 1,100 barrels per year. That is on average from 11–14. That is the equivalent of two railcars of oil, and that means that our pipelines in this country, Canada's pipelines, delivered 99.999% of the oil and gas across our country without incident.

But even with that safety record there is a lot of debate around safety issue in respect to Energy East, and I understand that. I have said publicly, "Look, Energy East is about two-thirds conversion and one-third new construction," and that part is true, but we need to remember, and I need to remember in this room that that 1/3 that is new is principally in Québec and through some pretty sensitive areas and so that province, quite rightly, has questions that they need answered. I think there are answers to those questions, and I think in this case, we have a proponent that has been earnest.

In Québec, the company deployed nearly 100 environmental specialists, including wildlife biologists and vegetation ecologists. They have collected data from hundreds of waterways, plant ecosystems, wetland locations and animal and bird habitat. It took them three years. They have had community consultations, about 130 open houses across the country for Energy East, talks with 7,000 landowners, 755 municipalities and 150 Aboriginal governments. And it is not like they were just talking because there has been 700 route changes as a result of that consultation, in response to what the proponent in this case was hearing.

So the system that we have, the NEB system, the regulatory process that we have in this country for this particular pipeline—and I would argue for all of the pipelines—is serious; it is systematic; it is thorough, and it is conscientious, and it requires the diligence of the proponents, as it should. It requires hundreds of millions of dollars to be spent by the proponents, as it should. Because we do have, in this country—and we should be proud of this—stringent environmental regulations. We have a strong regulator, and we have the fact that pipelines, in this country, are safe. Not perfect but they are safe.

That brings us to the third question, who benefits from the construction of Energy East? Well, obviously, you probably know I am going to say, everyone. All of us as Canadians are going to benefit from this pipeline. All of us as Canadians benefit from the energy sector in general, and if you have a doubt of this consider what those terrible and horrific fires in Fort McMurray meant to the economy of the country. The Bank of Canada recently forecast that the Fort McMurray fires will shave 1.25% points off economic growth in the second quarter. Consider that there are 500,000 Canadians directly or indirectly employed in the energy sector in this country. It is the largest private sector investor in Canada. Consider $17 billion. That is the amount of direct taxes and royalties paid by the energy sector to governments in our country. That $17 billion supports the quality of life that we prize in Canada. It is the equivalent of 680 new schools every year or 1.8 million knee replacements—Peter, you were asking how my knees worked in terms of the game coming up for this Grey Cup—or 4.25 million childcare spaces. That is the equivalent of $17 billion in taxes and royalties, and never mind the indirect taxes that are generated in the sector of the governments as well.

Here in Ontario, by the way, there are 1,100 companies who are direct suppliers to the energy sector, mostly in the oil sands but, generally, to the energy sector. How about Energy East as an infrastructure project? I think we are probably all tired of the term "shovel-ready" but I think the definition is apt here. Energy East is expected to boost Canada's GDP by $55 billion over 30 years, the biggest, largest chunk of that is for the province of Ontario, $24 billion. Ontario would get the most jobs, close to 3,900 in the development and construction phase and 1,500 permanent jobs. There is no question that this project is good for my province, and it is good for the province of Alberta, but it is good for all of Canada. We need Energy East to move our oil to tidewater, and everyone in the country can benefit from that.

Finally, you hear people ask the question, "What about climate change? What about the overarching environmental concerns that we have as Canadians and that we should have? If we build this pipeline, will it make climate change worse?" I should note that it is a question rarely asked of other major developments in Canada. It is a question rarely asked of other major sectors in Canada. This province, for example, assembles more than 2.2 million vehicles a year. I am proud of that as a Canadian. Our federal government and your provincial government are working to see that number increase, and that would also be good for us in Saskatchewan. It would be good for all of Canada if the auto sector got even stronger in central Canada.

Tomorrow if Ford or GM or Toyota announced a plan to build a brand new assembly plant in Brantford or Oshawa, would we see a protracted, interminable, deeply philosophical debate about the impact of the auto industry on climate change? And what if the federal government said to the auto sector, "We're going to impose some new regulations in terms of the transportation of your product across Canada, and those regulations might be something like 'We're going to measure the source GHG's of manufacturing those cars or maybe the lifecycle GHG implications of those cars in conveyance for fossil fuels. And, if it doesn't measure up, we might not approve those cars to go on a rail to go across the country'." Everyone in this room would think, "That would probably be a pretty wrong-headed policy," to understate the case. People right across this country in western Canada would think, "Well, that just wouldn't make any sense."

What if in 2009 when that same auto sector was reeling and shedding thousands of jobs and requiring direct bailouts from government equity investment from government, what if a federal government had then said, "We need a brand new tax, an auto manufacturing tax for the country that would disproportionately impact on that sector"? That would not make much sense either. You could credibly argue that a national carbon tax at such a time as this is analogous to precisely that. The timing of it is crucial. More on that in a moment, but back to the question, is Energy East going to affect climate change? The answer is no. If anything, it will help with respect to Canadian emissions. You know, the U.S. State Department weighed in a couple of times to the Obama Administration on the Keystone issue. They actually pointed out that if Keystone is built, it should not have a material effect on climate change because that oil would be in a pipeline instead of on rail, and greenhouse gas emissions, when you rail oil and gas or you truck it, are greater than if it is in a pipeline. You could make the same argument for Energy East. If Canada does not happen to supply the oil to either the rest of its own citizens or the world, someone else will.

The United States has already lifted their ban on exports, as you know. There are many other countries with whom we can compete as oil producers in the world who frankly do not give much of a dang about the environment. They care far less than the companies in this country, than the provincial government in this country, than the federal government in this country. The oil is going to get to those places, anyway.

By 2040, the International Energy Agency predicts fossil fuels will still supply 75% of the world's energy needs, so stopping Energy East will not change any of this. This does not matter to many who believe that really killing the pipeline is necessary as a step in the rapid transition to the "post-carbon economy" that they desire. What if we did that? What would be the impact on the planet? What would be the impact on climate? If we shut down the entire energy sector in this country, you would eliminate 192 megatons of emissions—if you shut it all down. The oil sands are worth about 68 megatons, but if you shut it all down in our province and Newfoundland and all that—right across the country—it is 192 megatons that you would save the planet in terms of CO_2 emissions.

Meanwhile, in China, coal fire power plants emit 4,000 megatons of CO_2 a year.
Meanwhile, in the United States their coal plants emit 1,364 megatons of CO_2 a year. Ladies and gentlemen, do not misunderstand me. We do have to do more in our country in terms of our own domestic emissions, but we do need context, and we need some perspective, I think, especially, if we are going to attach these matters to the debate around pipelines.

It strikes me that there are three things we can do about climate change: One, we can focus on adaptation, and if you talk to premiers of northern territories, they will tell you that the manifestations of climate change are real; they are happening today, and we as Canada arguably should be doing more to focus on a response to what is happening in those places. The second thing is, a domestic approach. We can reduce our own emissions, and we can have different fiscal instruments; cap and trade in carbon taxes, banning and conservation, and all of that is fine. We need to do more domestically. Thirdly, we can focus on this global situation, and I think Canadians are pragmatic problem solvers. I think Canadians understand that if there are 2,400 coal plants being built right now in the world, mostly in Asia, we should probably be maybe even more concerned about that than the 1.6% of global emissions that come from this country. Not letting anyone here off the hook, in terms of doing more domestically, but, realistically, focusing on technology that can solve those problems.

That is what we have chosen to do in Saskatchewan. We have made, I think, the largest public sector under per capita basis, and the largest public sector investment to fight climate change at Boundary Dam Tree, which is a carbon caption sequestration project unit that is attached to a coal fire plant that is working. We had some commission year challenges last year, and our engineers have made the adjustment, and we are on track to sequester 800,000 tons of CO_2 at this one particular plant, and it will burn that coal two or three times cleaner than combined cycle natural gas. And people are coming from around the world because that is pretty innovative and maybe transformational, and it speaks to an actual challenge that, were we to meet, we would have real progress in terms of the fight against climate change.

So, ladies and gentlemen, those are the four questions that I wanted to canvass and, hopefully, try to answer today. Do we need the pipeline? Respectfully, yes. Will energy East operate safely? Yes. That is how pipelines operate in our country. Who will benefit? All of Canada will benefit. And will Energy East make the problem of climate change worse? The answer is no. In fact, there may be a salutatory impact because of the oil moving to the pipeline from rail. I know these answers will not satisfy everyone. There is a character on *The Simpsons* that once said that he was not interested in the ends of any more sentences. I think that in this debate, on both sides perhaps, we are not as interested in the end of each other's sentences as we should be. But I am optimistic. I am hopeful because, you know, Canadians, at the end of the day, we are pragmatic. By and large, we are strangers to dogma, and we are also problem solvers.

I like what the mayor of Québec City said earlier this year. Régis Labeaume said in an interview that he was not happy with Trans Canada, to be fair. He wanted more information from the company, but, on the topic of building pipelines, this is what he said: "I think that in a normal country, all organizations that want to build infrastructure for transporting energy should be able to do it. I wonder how I would feel if a province or a region in a province prevented Hydro Québec from building its transmission line." Remember, this is the mayor of Québec City: "I would feel exactly like the people in the west do now," he said. "I understand them." Let us all strive for that understanding. Let us understand in the importance of this particular project, but, in a general sense, let us understand the importance of the energy sector to *all* of Canada. Let us be proud of it. Let us understand the national interest, the shared interest that is at stake with the Energy East pipeline. It is a nation-building opportunity to be sure. Thanks for your time today.

Note of Appreciation by Ken Seitz, President and CEO, Canpotex

Hello, everyone. And, yes, it is actually easy to express appreciation for our premier in Saskatchewan. I myself am actually from Saskatchewan. I work in Saskatchewan. Our head office is there, and I must say that we, in the province, and the vast majority of us are quite proud of our premier from that part of the world. He tours around the world making us proud all the time, and, of course, today is no exception. So thank you, thank you, Mr. Premier, for your insights, and I always appreciate the very clear and consistent message that comes from our premier on these matters.

I will say that no one understands the challenges associated with moving commodities out of western Canada more than we do at Canpotex. For those of you who do not know us, we are Canada's largest mineral exporter. We move about 10–12 million tons of potash from the landlocked Canadian Prairies to over 40 countries worldwide. We do so with our vast supply chain, our network of rail, and, for many of you who have been in our part of the country, you have had to sit and wait for a Canpotex train for, you know, often many, many, well, certainly minutes and hours, and it is very difficult if you are trying to get to a hockey game and you know you are late. We always ask for, you know, forgiveness. So vast supply chain of trains, port facilities on both coasts, and ocean-going vessels, of course, and so we are really, really thrilled to be here with the premier and thrilled to hear about the priority that is being set around moving commodities, moving commodities off our Canadian Prairies. We know that our premier, the premier takes that very seriously, so I will just say again, thank you, Mr. Premier, for the keen insights.

I am quite certain that everyone in this room would love to come back and hear you speak again in the future. And to our friends and colleagues in the room, thank you for joining us. It is our pleasure to sponsor today's event. Please, come see us in Saskatchewan anytime, whether it is minus 45 or plus 45, we will always welcome you there, and, you know, maybe, I am just saying, perhaps, you could even come—we have a brand new stadium in Regina. It will be ready in 2017. You can see the Argonauts get whooped by the Roughriders so that would be fun, too. Please, enjoy the rest of your day. Thank you, and thank you, Mr. Premier.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Ken, and thanks again to Canpotex for sponsoring today's event. And we would also like to thank Manitoba Pork for being our student table sponsor and our VIP sponsor as well and also to TELUS. Thank you, Andrea, for sponsoring another student table as well.

We would also like to thank the *National Post*, which is our print media sponsor, and Rogers TV, our local broadcaster. Also, a special call out to Mediaevents.ca, Canada's only online event space. They cover us on website webcasting and podcasting, which, as you know, is the way most people now actually view Empire Club events. Follow us on Twitter at @Empire_Club and, please, visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram.

Ladies and gentlemen, thank you so much for your attendance today, and this meeting is now adjourned.